Credit
AND FINANCIAL MANAGEMENT

June, 1948. Convention News and Pictures on Page 33

Credit

AND FINANCIAL MANAGEMENT

Contents for June, 1948

Official Publication of the National Association of Credit Men

One Park Avenue, New York 16, N. Y. **1309 Noble St., Philadelphia 23, Pa.**

Richard G. Tobin
Editor and Manager

Leslie E. Jones
Associate Editor

Eastern Advertising Representatives
The Warren T. Mayers Company, 130 East 61st. St., New York 21, N. Y.

Midwestern Advertising Representatives:
Reinig and Shondell, 22 E. Huron St., Chicago, Ill.

ESTABLISHED 1898 VOLUME 50, No. 6

Published on the first of each month by the National Association of Credit Men, 1309 Noble Street, Philadelphia 23, Pennsylvania. Entered as second class matter December 22, 1933, at the Post Office at Philadelphia, Pa., under the act of March 3, 1879. Subscription price $3.00 per year, 25c per copy; Canada, $3.50; all other countries, $4.00 postpaid.

Politics or Statesmanship?

The two political conventions in Philadelphia can easily determine the future of this nation, if not of the world. With few exceptions no political conventions have ever been charged with the responsibilities that rest upon the major political parties meeting in Philadelphia.

Are they going to decide upon platforms of political expediency? Are they going to promise everything, irrespective of our capacity to discharge these promises? Are they going to pursue a course that will lead us further into fiscal bankruptcy? Are their pledges to be made merely as magnets for votes? Are they going to decide that election at any cost or under any conditions is to be preferred to honorable defeat?

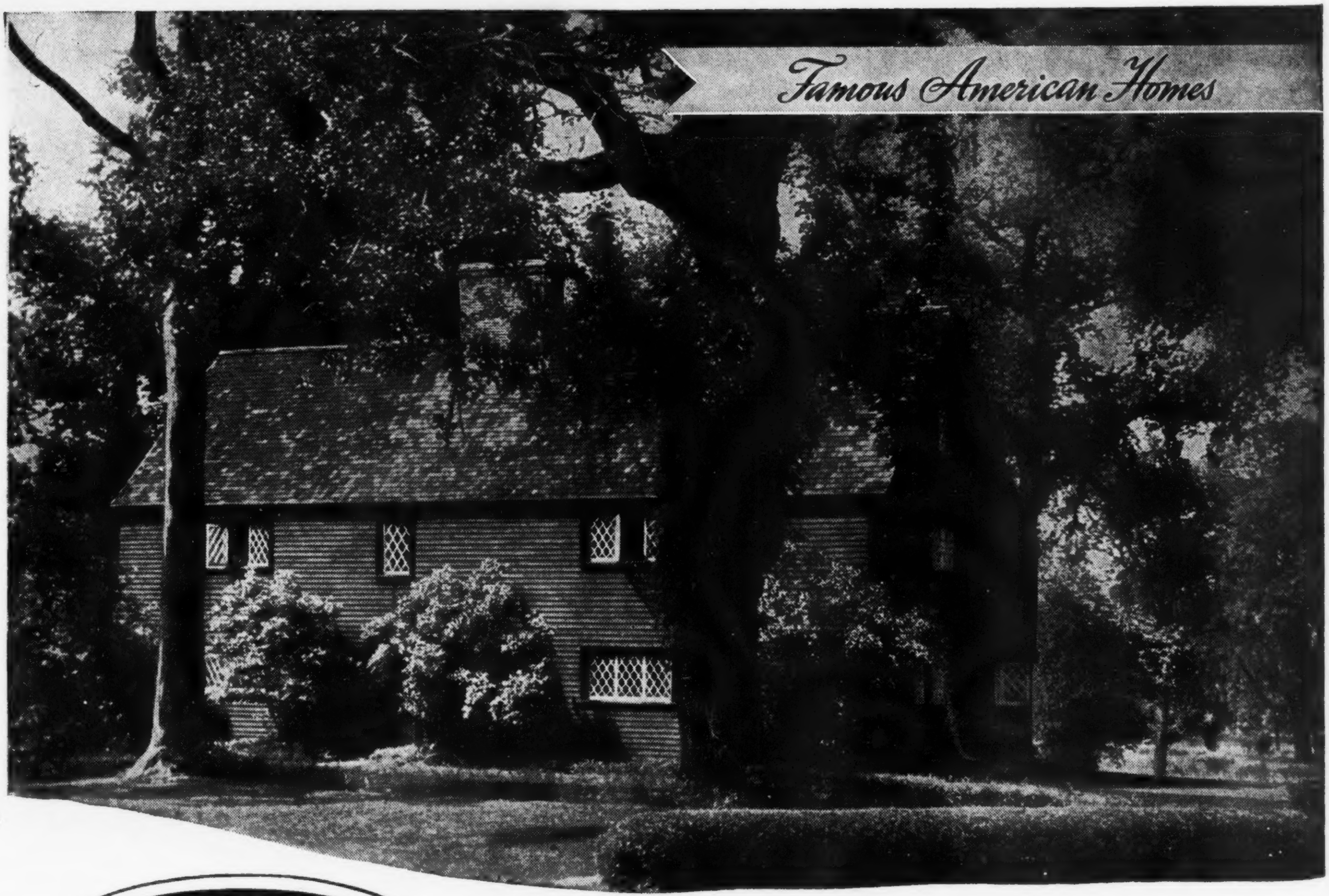
Or will they hew to a line, speak truthfully, act courageously and frankly, and tell the people not what they want to hear, but what they think is best for the nation? Instead of trying to win votes with largesses and subsidies are they going to say frankly that there is a limit beyond which this country cannot go?

Let us hope that both conventions become keenly aware of their responsibilities and stand before the people on platforms fundamentally strong, with planks of honesty, self-reliance, courage, and all the virtues common to our people in the past and so frequently forgotten in this generation.

To do so, you say, may lead to defeat, but is that a reasonable assumption? If it should be, then what can we look forward to in this nation? We know that great statesmen of the past have served their country well when they have in a crisis promised to pursue a course that is not easy and have clearly and courageously pointed out the hardships to be faced.

Isn't it time that our two major political parties face facts and realities and strive to do that which is best for the nation? If they do so and fail at the polls, then the responsibility for our future rests squarely upon the voter.

HENRY H. HEIMANN,
EXECUTIVE MANAGER



Whipple House

"The Whirr of Spinning Wheels"

"LAWRENCE YE INDIAN," valued at four pounds, was numbered among Captain John Whipple's worldly possessions in his will drawn in 1683. The numerous household items in his inventory, including "basons, pottingers and silly bub pots," together with his homestead, farm lands, "piggs, cowes and swyne," mark him as unusually wealthy for the period.

The captain was the second of three John Whipples who lived in the old homestead in Ipswich, Massachusetts, that bears their name. Though the exact date when the earliest section of the house was built has not been determined, the first John Whipple acquired it in 1642. As Deacon and later as Ruling Elder, this eminent Puritan was one of the leaders in church and town government.


Mischievous boys dropped a calf down this chimney.

Elder Whipple's son, Captain John, was a businessman and soldier. While serving in King Philip's War he gained possession of the Indian mentioned in his inventory. As his son, Major John, had six daughters but no male heir, the house passed to the major's daughter Mary and her husband and was owned by their descendants until 1838.

Now the headquarters of the Ipswich Historical Society, the Whipple house is considered one of the best examples of earliest seventeenth-century colonial architecture in New England. Faithfully restored to its original period, it recreates in the imagination the daily life of the Puritans. As the Ipswich historian, Rev. Thomas Franklin Waters, has said, "The old pavement in the dooryard rings again with the hoof-beats of Capt. Whipple's horse hurrying to lead his troopers to repel an Indian assault . . . the whirr of spinning wheels, the rumble of the loom overhead, the beat of the churn, the roar of great winter fires, the hissing of meats on the long spits, the voices of children at play or demurely reciting the catechism, the good wife's chat with neighboring gossips . . . all the history of other days becomes a speaking witness to the simplicity of the old Puritan home life."


Household implements used by the Puritan family.

The Home, through its agents and brokers, is America's leading insurance protector of American Homes and the Homes of American Industry.

☆ THE HOME ☆
Insurance Company
NEW YORK

FIRE • AUTOMOBILE • MARINE INSURANCE

A Balanced Objective

Credit Men Can Help Bring Order Out of Chaos

by HENRY H. HEIMANN
Executive Manager
NATIONAL ASSOCIATION OF CREDIT MEN

Keynote address delivered at the 52nd Annual Convention of the National Association of Credit Men on Monday morning, May 17, 1948, in Hotel Statler, Cleveland.

For a third of a century we have been engaged in, preparing for, or struggling to get out of war. Except for a brief period in the twenties, no living person under sixty years of age has known the comfort and satisfaction of peace since the day he reached maturity. This condition is a travesty upon modern civilization. The magnitude of the conflicts considered, it is a situation without precedent in modern history.

Despite our courage on the field of battle, we have in many respects been living in a cowardly age. We have been afraid to face facts. For more than two decades we have tried to ease or escape the blows inherent in recovery from wars and thereby insured their continuance. The people of the world have suffered as much in and through the struggles as human beings have ever suffered. We might have avoided much of this had we courageously established a sound program for a peaceful world.

Policies of Expediency

We have been living in an age of confusion. We have had conflict after conflict, not only military conflict between nations, but class against class, race against race, religion against religion, color against color. We have been cowardly, ignorant and stupid in not recognizing these facts and adopting a program that would lead the way out. Every day that most of us have drawn a breath has been largely devoted to secret arrangements and agreements by our various governments instead of frank and open discussions. Our policies have been those of expediency.

Domestically we have known corruption and have condoned it. We have adopted such programs of dependency that self-reliance is fast becoming a lost virtue. We have expanded our subsidies to make certain groups further dependent on government. We have seen years of selfishness, dishonesty and extravagance. We have drifted toward greediness.

Internationally we have seen treachery by individuals and nations. We have witnessed the collapse of morals throughout the world. We have watched dictatorships arise and have acquiesced in their assumption of power. To future historians, we may appear as a helpless people unwilling to suffer to bring order out of chaos. It will be impossible for them to understand how any virtues could exist among so many vices.

We have followed programs that are consistent only in their inconsistency. It is high time that we work for a balanced objective. This must be the purpose of every citizen in the land.

Credit Men Face Facts

Credit executives are not given to resting comfortably in an atmosphere of confusion, nor need they be given an injection of inspiration in a keynote speech. You came here to do your part in helping to solve the world's problems and those you meet in your own profession. You don't want the facts sugar-coated. You want to face them, knowing that once you have them in mind you will be in a better position to understand their implications.

You know that conditions such as we are living under make it exceedingly difficult to plan life and in your daily work to evaluate credit. You realize that a sound credit program in such an economic climate is most difficult. In your day's work, irrespective of how confused the credit information or facts placed before you, it is your responsibility to plan a course of action so as to convert the account into one that has valid credit acceptability.

Let us therefore, as credit executives and citizens, summarize what has taken place in the past third of a century and brought about the chaotic condition of today. Let us learn the facts and weigh them carefully before we attempt a program to bring order to a tottering and confused world. Despite all of our shortcomings of these past years, we have not lost the ability to recover our poise and the courage to solve our problems but we need to know the facts if we are going to do so.

World Conditions Affect U. S.

We know that in this modern day and age, world conditions are immediately reflected in our national economy. We know that a situation in any country, no matter how remote, influences our internal economy.

We are now in a struggle against the Russian communistic philosophy. We spent billions of dollars to save the Russian government. Today we are spending billions more to contain it. We supplied Russia with billions of dollars

worth of material and are presently shipping additional material to Russia and her satellites. At the same time, we are, inferentially at least, demanding that our friends who receive our aid abroad, use it for their own recovery and we are denying its use, directly or indirectly, to the Communist regime. First we coddle a government and next we seek to paddle it. Our foes today may have been our friends of yesterday. In the past we strengthened those we assumed were our friends and today we are suddenly confronted with a foe we have made stronger.

The Result in Europe

We stood silently by when Czechoslovakia was practically partitioned—partitioned without even the courtesy of representation at the conference that took away a part of her territory. We acquiesced in this to appease Hitler. We rise in indignation when the same act is performed by Russia. There was no justification for either act. Indeed, both acts were truly criminal. But our policy indicates our inconsistency. How can it help but lead to confusion and distrust?

We assure Poland of our intention to support her government and then, when the government is liquidated, we all but forget her people. When those who had liquidated her are in dire need of help because of a struggle between two criminal dictators, we aid one of the dictators without exacting a promise from him to free the Polish people. By our short-sightedness we miss the golden opportunity to put into effect the four freedoms of which we have so loudly boasted.

Policy May Produce War

We bring to justice war criminals but in these trials we undoubtedly include many who were forced to do their masters' bidding at the point of a bayonet. While these trials are being conducted, we sit silently by and see prisoners of war still in enslavement not only in Russia and her satellite countries, but in peaceful nations. We stand for such inhuman action despite the fact that even an ounce of reasoning would make it clear to anyone that such an injustice leaves embitterment for generations and the children and grandchildren of these unfortunate victims will merely await their day of vengeance.

In this policy we sow the seeds of future wars just as assuredly as we breathe. We prolong the wars that are to come since military commanders will realize in the future that irrespective of whether or not they conduct their campaigns according to the World War Code, they will be promptly liquidated if they surrender even though their cause be hopelessly lost. They will realize for all time that the enemy that defeats them will level charges against them upon which they will justify their criminal trials; so irrespective of the hopelessness of their military situation, they will fight till the last life has been taken.

We know of the millions of human lives that have been lost due to purges but we repatriate people to the nations that destroy these lives, knowing full well we are sending these people to their doom. In the spring of the year we render China aid; in the Fall we deny her aid. One day we move for the partition of Palestine; the next we tell the world our decision may have been in error.

More Inconsistencies

We plead for a sound fiscal policy in Europe, knowing full well it is essential to recovery, but as we utter the words, we maintain an unsound fiscal policy at home. We protest the danger in inflation in Europe but our own inflation goes no uninterrupted. We object to the type of government in Argentina but in the next month we embrace it. We isolate Franco and now we are seeking to promote him, even though we do not frankly admit the fact. We vote huge appropriations for social security benefits but this program is undertaken by a nation that dropped the first atom bomb in world's history. We plead for a maintenance of free enterprise, but we proceed to liquidate the Japanese industrialist.

We try to bring order out of world chaos by various programs. Each is presented to our people as a cure-all. Each is a "final program." Each is a "must" if the world is to survive. But the ink is scarcely dry on each of these programs before we pull a new rabbit out of the hat. By our actions we destroy the faith of the average American in the capacity of his government. We have the Bretton Woods agreement, the International Bank, we expand the facilities and purposes of the Export-Import Bank. Each and every one of these undertakings was to solve the world's problems. I am not arguing their essentiality. I am merely stating that each was hailed as a move that would strengthen us and help save the world.

Loan Policies

We extended a loan to Great Britain, another to Greece, a third to Turkey, and a fourth to the Far East. These loans, we were assured, were definitely going to do the job. But scarcely had these plans been put into action when we come back and present a European Recovery Program. We will, no doubt, soon present an aid program for the Far East, another for Central and South America, and more money, we will be told, will be required for the European recovery. We go to our people so frequently with such assurances that it is small wonder they lose faith in our capacity to really know what we are about.

We spend millions to insure a free election in Italy but we never say that one of the basic needs of America is a free election. More and more we tend toward a subsidization of our voters at home. During the war, we built a tremendous merchant marine fleet. After the war we promptly proceeded to dispose of it. Now we are asked to begin a building program anew. Through disposal of our war planes, of which we had more than the rest of the world combined, we now find ourselves short of the amount needed for an adequate defense. We claim we have to rehabilitate Europe by getting them into production, but we sit silently by as the means of German production, the plants, are dismantled and moved to an aggressor country.

We boast of our freedoms but in some ways we follow programs common to dictatorships. We crucify those who may be truthful, because we do not wish to hear what they have to say. It took

two decades to give former President Hoover proper credit for his efforts and Lindbergh who spoke frankly and courageously is still in the doghouse.

We want the people throughout the world to have the opportunity to think their problems through but much of our thinking is done for us by commentators, columnists, pamphleteers and propagandists, to say nothing of the pressure and the smear campaigners. There is no need for all of this and the American people know a better way if they will only seek it.

Government Extravagance

We preach the necessity of thrift but year after year keep spending like a prodigal son. In this government dedicated to free enterprise, our actions in practice are unlike our preachings. We take half of the earning capacity of business and confiscate it for an extravagant government. We say we are making great progress for the wage-earner, but he is really the victim of a cruel hoax, for every dollar he receives today is an inflated, "Bubble-gum" dollar. We continue to devalue the dollar. Our business earnings and agricultural earnings are also in inflated statistical dollars. They are not as excessive as would appear and the white collar worker and the fixed income group are being hard pressed to maintain their living standard.

Though we possess most of the gold in the world, we are too cowardly to go back to a gold standard. We contend it would upset the commerce of the rest of the world. We are unwilling to see the world absorb a temporary dislocation of commerce so that it might regain fiscal health and get back on a sound monetary basis. The longer our delay in going back on the traditional gold standard, the more confused our world fiscal situation becomes and the more restricted our international commerce. We sit silently by and see the cost of living rise. In our paternal attitude, we contribute to delinquency not only of juveniles but of grown-ups as well. Though we know that the recovery of the world depends upon business in America, we time and again resort to "smear campaigns" of business because it is politically expedient to do so.

We may be short of goods at home, but we keep on being the proverbial Santa Claus, piling up possible future hatreds and resentment which will come to us when at last we are forced to stop trying to feed the world.

In one era we destroy foodstuffs and animals, and in another day we subsidize agriculture for increased production. We even quarrel over the tax on oleomargarine. Although the agricultural communities in the central and western portions of our nation were built by men with enough courage to leave the homeland because they were unwilling to be regimented under universal military training, we now high-pressure such a program. We do this despite the fact that those nations which have adopted such programs have sooner or later been involved in wars and have seldom won a military victory.

We put a premium on the politician and we punish the statesman with ridicule and with rejection at the polls. Our whole campaign is levelled against dictators but we have irresponsible and unjust dictators in our own nation. We are stirred by the poverty of India and unconcerned about the starvation of our own native Americans, the Indians.

Little wonder that there is confusion and conflict! It is indeed amazing that there should be any respect for government or those who represent it. Surely if we are to achieve recovery or to lead the world to a better way of life, we must determine upon a plan that is sound and consistent and we must adhere to it, letting the chips fall where they may. America is too strong and our people too inherently industrious to permit the continuation of such policies. Having won the leadership of the world in such a dramatic fashion, surely we have the capacity to discharge the responsibilities such leadership involves.

Now, What Do We Do?

Having reviewed conditions as they are, let us see what can be done about it. Aside from being credit executives, you are citizens and as such, you have certain responsibilities which I hope you never forget. You have as prime a duty to discharge these responsibilities as you have to do your daily task. You owe this obligation to yourself, your family and your nation.

It may be more painful to pursue a sound program, but in the end it will restore health. It may involve you in a struggle, but if so, you are at least fighting for the justice of your cause. With the greatest industrial machine, the finest workmen and a peak agricultural production—all the best the world has ever known—it is unlike us to flounder in uncertainty.

If the four freedoms mean anything to us, let us begin our program of backing them up. If our policy is to be of world interest, let us give an all-out aid to the nations that are being overpowered by ruthless dictatorships. Let us insist upon the freedom of the prisoners of war who are now in virtual slavery. Let us forthrightly and with courage declare such a policy and be prepared to back it up. Such would be a policy in keeping with our best tradition.

Free Elections at Home

If we insist upon free elections in other countries, let us stop corrupting our own elections with subsidies. Let us build back self-reliance and let us not further obstruct the stream of commerce by these artificial barriers. Our nation was made great because we were free and possessed of confidence.

Let us rebuild respect for our government representatives by electing men who command respect. This we can do if we have the courage to express our approval at the polls of those who are frank and honest, and display statesman-like qualities. This should be the reward that statesmen well deserve and earn. We should revive the honor and distinction of our representatives of the years gone by.

Let us, in our own nation, avoid class conflict and preach the doctrine that each and every one of us must live cooperatively and in peace; not only preach it, but put it into effect.

Let us keep our word so that it is the equivalent of a bond and let

(*Continued on Page 47*)

NACM Presents Views on 60a

Frank A. Dudley Testifies Before House Sub-Committee on Bankruptcy

Editor's note: This is the substance of the testimony submitted by Mr. Dudley to the House sub-committee on bankruptcy to show the attitude of the membership of the National Association of Credit Men toward H. R. 2412. After the testimony was submitted in written form, but before the hearing, H. R. 5834 was drafted by the National Bankruptcy Conference and introduced by Representative Hobbs, with the result that both bills were considered at the same hearing. H. R. 5834 contains all that is desired by the proponents of H. R. 2412 and in addition contains provisions for a Federal recording of intent to assign accounts receivable.

Therefore at the hearing Mr. W. Randolph Montgomery, of counsel to the National Association of Credit Men, and Mr. Dudley urged passage of H. R. 5834, feeling that, if enacted, the National Association of Credit Men would have reached the goal it has been striving for. It is not yet known which bill the Committee will recommend to Congress for passage.

The National Association of Credit Men is an organization of over 28,000 manufacturers, wholesalers, jobbers and bankers throughout the United States. These members belong to 122 local associations established in the principal cities of the United States and affiliated together as the National Association of Credit Men with headquarters at #1 Park Ave., New York, N. Y. The Association was organized in 1896.

The overwhelming majority of these members are commercial grantors of credit who, with a large number of bank members, are opposed to the proposed amendment to Section 60a of the Bankruptcy Act, H. R. 2412. The National Association of Credit Men, as an organization, on May 1, 1945, approved a policy of recordation of intent to assign accounts receivable and of rendering aid to such states as desired to have such a statute by providing a model bill. The proposed amendment would directly contravene that policy unless a further amendment were included requiring such a recordation in a state or federal office.

Compromise in 1947

Within our Association are some lending companies who are supporting this amendment, and for a very special reason issuing from their own special needs and desires. With a view to reconciling these opposing views within our Association, a meeting of our National Legislative Committee was held in New York in May, 1947, at which time a compromise resolution was adopted by a 7 to 3 vote, which resolution was adopted by the Board of Directors on the following day. Following is the resolution:

"That the amendment to Section 60a of the National Bankruptcy Act incorporated in HR2412 and S-826 be approved, provided that there be added to the amendment, or in some other provision of the Bankruptcy Act, a requirement that the title of an assignee of accounts receivable, or other choses in action, shall be perfected by filing or recording a notice of intention to assign accounts in a federal or state office, and that failure to so perfect the title shall, under the conditions specified in Section 60a, invalidate the assignment as against a trustee in bankruptcy."

I shall first consider the proposed amendment itself and then the reasons for our insistence that the recording stipulation should be included if any change is made in the existing Section 60a of the Bankruptcy Act.

Prior to 1943 the lending companies were opposed to any legislation being enacted by the several states on the matter of accounts receivable. I believe the decision of the Supreme Court of the United States in the case of the Corn Exchange National Bank and Trust Co. v. Klauder in 1943 changed their attitude and they immediately sponsored before the state legislatures, whenever they convened, legislation to preserve their secret liens on assigned accounts receivable. In 15 states since that year they have succeeded in having passed what is known as a Validation Statute which is a very short law affirming that title to an assigned account is perfected at the time of transfer and hence cannot be upset in bankruptcy. In the opinion of many this procedure was considered expensive and not conducive to good relations with the commercial grantors of credit throughout the country who reacted vigorously in opposition to this legislation. (Twelve states now have statutes requiring that an intention to assign accounts receivable be recorded or filed in the places where recordation of all liens and transfers is required.)

What seemed to most mercantile credit grantors an expedient was then hit upon of gathering the balance of the states in which there is no definitive law on the subject in one fell swoop by this present attack upon Section 60a of the National Bankruptcy Act. To enlarge the number of their supporters they state that the present interpretation of the Act jeopardizes the position of chattel mortgages, conditional sales contracts and trust receipts under the Uniform Trust Receipts Act. To date no such instrument has been so invalidated in any court of the country. There

are learned lawyers who hold a contrary opinion and believe Section 60a of the Bankruptcy Act should not be tampered with.

Majority Opposed

As I have said at the beginning of this statement, the overwhelming majority of the members of the National Association of Credit Men are opposed to this amendment unless at the same time the recordation feature is incorporated in the Act, and for the following reasons:

To start with, Canon 4 of the Canons of Commercial Ethics, adopted in cenvention assembled by the National Association of Credit Men, reads as follows:

"The use of credit in the process of exchange demands utmost frankness of him who promises future value for present value received. Our whole credit structure rests upon confidence on the part of the creditor and good faith on the part of the debtor. This delicate structure is seriously injured if the debtor disposes of the values received or their equivalent out of the ordinary and well established courses of business without some form of notice to those who have extended him credit.

"The sale, assignment or transfer of open accounts receivable without some form of publicity readily accessible to those who hold the obligation of the seller, assignor, or transferer constitutes a character of transaction perilous to the foundations of credit, and, therefore, unethical."

The Arguments

We commercial grantors of credit extend the credit to concerns which enables them in turn to do a credit business and create accounts receivable. These accounts they may wish to borrow money on. This in itself is not a nefarious practice and we have no quarrel with it. What we do insist upon is knowledge that it is being done. This borrower assigns or attempts to assign to a lending company his accounts receivable or even accounts not yet in existence as security for the loan and the usual practice is to assign accounts double in value of the loan.

We grant the credit relying on the assets of the debtor as basis for the credit extended. Should he mortgage his real estate, or his fixtures, or his stock of merchandise, such lien must be recorded in a designated place of recording which gives constructive notice of the fact to the whole world. It seems to us but logical that a lien placed upon so important a part of the assets of a debtor as his accounts receivable should also be published. There is no other way in which we can know of it. The debtor retains possession of the accounts. He collects them from his customers in the usual course of business and remits the proceeds or a portion thereof to the lending company. The customers of the borrower never know their accounts have been assigned to a third party. If the borrower sends his customers' checks to the lending company, that company when it deposits them in its own bank account does not endorse its name thereon; only a number recognized by the bank as an endorsement.

The lending companies, who unanimously oppose the recordation theory, insist that accounts receivable are in a different category from tangible physical assets and are intangibles, known in the common law as choses in action, and not subject to being handled nor regarded as are physical assets.

But there has grown up a relatively modern invention of business, the lending on accounts as security, which treats accounts receivable in reality the same as tangibles. Logically, then, recording should follow.

Past Efforts Unsatisfactory

Through the years the public knew there was something wrong with all this secrecy. Attempts were made to make it necessary to mark the ledgers of the borrowers, designating the accounts assigned. Some states made it necessary to notify the customers of the borrowers that their accounts had been assigned. Such devices were unwieldy and have in the main been discarded but the lenders are not willing that a workable solution be adopted. They want complete secrecy surrounding their transactions. They claim recording is not fair to the borrower. It is not so regarded when a mortgage against his real or personal property is recorded. Then what is the unfairness? Is it that such type of borrowing in the past may have been regarded as a last gasp type of financing? That would be unfair in this present day and in any event has no place in the arguments herein presented for recording statutes.

In those states in which recording statutes have been enacted the business of lending on accounts receivable has continued with no interruption and with no detriment to the business of the lending companies and great satisfaction to the commercial grantors of credit. Further, the lending companies have promoted the Factors' Lien Acts throughout the country which require public notice. These acts provide that when the merchandise subject to the factors' lien is translated into an account the lien shifts to the receivable. This seems to be a glaring inconsistency with their attitude on the present question.

For 10 years, or before any legislation at all had been made, I have been striving for the principle of the recording of notice of intent to assign accounts receivable and I have never been presented with any reason against it that could be sincere other than that the lending companies did not want the names of their customers known to their competitors. To my mind this is a very feeble reason as I know of no other legitimate business where competitors do not know each others' customers.

Klauder Case Decision

Mr. Justice Jackson, in handing down the decision of the Supreme Court of the United States in the Klauder case, has stated our case perfectly as follows:

"The Committee of the House of Representatives which reported 60a was fully aware of the vicissitudes of its predecessors. For 35 years Congress has consistently reached to strike down secret transfers, and the Courts have with equal consistency found its efforts faulty and insufficient to that end. Against such a background 60a was drawn."

Now that the Congress in the National Bankruptcy Act, in the

(*Continued on Page 46*)

Wholesalers' Bad Debt Losses

A Comparison Between 1946 and 1947

by JOHN ALBRIGHT
Chief, Wholesale Trade
DEPARTMENT OF COMMERCE
Bureau of the Census

As most of you know, your National Association and the Bureau of the Census have worked very closely with one another on a number of informational studies over a period of years. Back in September of last year, your officials suggested that losses from bad debts were on the increase and, while they had not yet reached the pre-war levels, in the interest of good management it would be well to provide businessmen with a measure of them.

Negotiations for at least a pilot or one-time study were inaugurated by your Association's Executive Manager, Mr. Heimann, in a letter to the Director of the Census on September 23. His thought at that time was to conduct a year-end study on a fairly broad base covering manufacturers as well as wholesalers. Practical considerations, however, made is necessary to omit manufacturers. Chief among the considerations were limited budget, and the fact that all manufacturers were being asked to submit rather lengthy reports in connection with the 1947 Census of Manufacturers which was the first of its kind since the war—in fact the first since 1939. The 1947 bad debt loss study was therefore limited to wholesalers.

3000 Firms Questioned

In order to stay within a very limited budget allocated to the job, the Bureau elected to use the same mailing list as in its monthly wholesale trade report, a list of approximately 3,000 firms. The questionnaire was a fairly simple one calling for only the minimum information necessary to show what was happening to losses of this type. Specifically, it provided for reporting 1946 and 1947 total sales, credit sales, bad debt losses, and number of accounts on the books at the end of the year. Bad debt losses were defined as receivables written off as uncollectible. By using the Bureau's monthly reporting list, it was unnecessary to develop information on receivables as these data were already a matter of record.

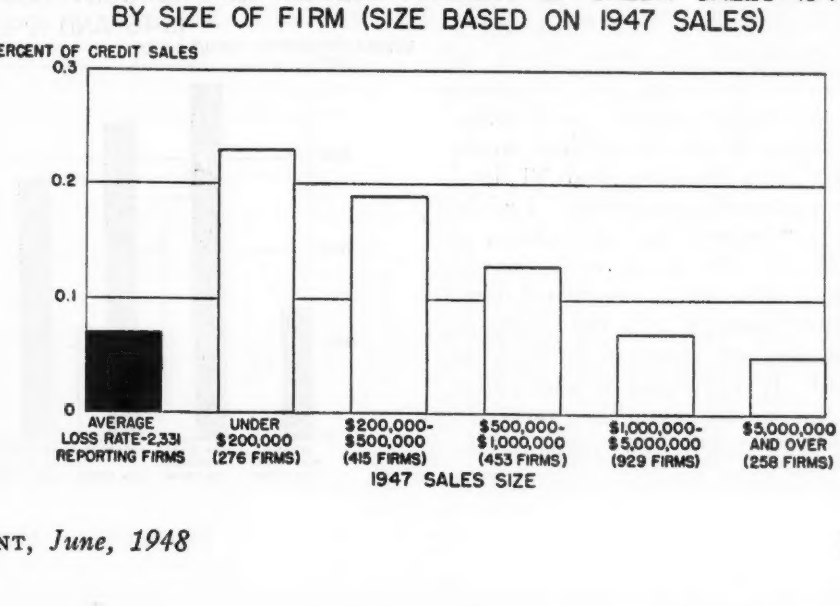
The response rate on this particular study was more than gratifying, particularly in view of the fact that reporting was strictly on a voluntary basis. Of the slightly more than 3,000 firms contacted, 2,331 submitted usable returns in time to be included in the tabulations. In addition, quite a number of firms reported their business as all cash, hence they fell without the scope. The rate of return is all the more remarkable in view of the fact that many additional firms were able to supply a part but not all of the information, either because they operated on a fiscal-year basis or because their books were not set up in a manner to provide the necessary data. This group of firms was likewise excluded from the count of 2,331.

Released in Two Parts

The results of the study were made public in two parts. The first was released on April 11 and presented a summary of the findings for the country as a whole by size of firm and by kinds of business or major lines of trade. Size-of-firm analyses were based upon total sales during the year 1947. The second bulletin, which was more analytical in nature, was released on May 5. It presented geographical information for each of 30 or more trades, and information by size of firm with size based upon 1946 credit sales. In addition, it presented a summary analysis according to the number of credit accounts of the various firms at the end of 1946.

This is the second time that the Department of Commerce has measured bad debt losses of wholesalers. The first covered the years 1937 and 1938 and was conducted by the Bureau of Foreign and Domestic Commerce back in 1939. As some of you may recall, Dr. Wil-

CHART 1 - BAD DEBT LOSSES PERCENT OF CREDIT SALES: 1947 BY SIZE OF FIRM (SIZE BASED ON 1947 SALES)



ford White reviewed the findings of that study at your annual meeting in Grand Rapids in May of that year. Fortunately, we are now able to compare bad debt loss rates since the war with the pre-war situation.

Results Shown at Convention

Recognizing the fact that the results of the 1946–1947 study would be coming out just before the convention, your program makers asked if the Census Bureau could have one or more of its staff members review the findings orally at a number of your industry group meetings. Mr. Whalley, my assistant, and I, having shared a measure of responsibility of conducting the study, were selected for the assignment. By way of presenting the findings briefly, yet I feel fairly adequately, we have prepared a series of charts.

Chart I shows bad debt losses, 1947, by size of firm—size based upon 1947 sales. In a word, it says that in general the smaller the firm the larger the bad debt loss ratio. Compared with an average loss of 7c per $100 of sales, small firms as a group—those with total sales of less than $200,000 in 1947—had average losses of 23c per $100. From this high level, the loss rate decreased with the size of firm until over at the far right you will note that the average was only 5c per $100 of sales for those in the $500,000-or-over bracket.

More Large Firms Represented

By way of caution, may I state in this connection that these findings represent the experiences of the group of 2,331 firms. This reporting group had a heavier proportion of large size firms and is overweighted in some kinds of business compared with wholesale trade for the country as a whole. Whether or not the pattern would have been the same had all firms been covered is not known. I might state, however, that the pattern of losses for this group, so far as the size of the firm is concerned, conforms generally with the results of the previous study made back in 1939. It might also be added that in this, as well as in the charts, we are dealing with generalized results or averages, and that the experience of any particular firm may differ considerably from the central tendency noted for a classification or grouping of companies. Indeed, many firms do differ from the central tendencies of a group as a whole because of local management and operating conditions. An alert aggressive credit manager of a small firm, for example, may be able to hold his loss rate below that of a much larger firm in the same line of business. Many advantages might accrue, however, from comparing the accomplishments of an individual firm with trends or tendencies of a group as a whole.

I might point out in this connection that in general the pattern noted for all trades combined held for most of the lines of trade. Large hardware houses, large drug concerns, or large electrical goods concerns, for instance, as groups reported lower loss rates than small firms engaged in the same kind of business.

Chart II shows the trend in bad debt losses from 1946 to 1947 by size of firm. Here smaller firms appeared to have the advantage. While the loss rate of houses with sales of $5,000,000 or more was small in both years, 1946 and 1947, the chart shows that their losses showed more of a tendency to increase in the two-year period than was the case with small concerns.

Charts III and IV present the story on losses by trades or kinds of business. As would be expected, losses in some trades are much higher than in others. For example, 1947 losses for the paint trade averaged 19c per $100 of sales; 17c for jewelry; 14c for automotive; and so on down to 5c per $100 of sales in case of groceries. Furthermore, in all cases 1947 loss rates were higher than 1946. Chart IV compares loss rates, 1947 with prewar 1937. The average rate in 1937 was 35c per $100 of credit sales or five times the post-war 1947 rate of 7c per $100. In general, but with some important exceptions, trades that had high loss

(*Continued on Page 48*)

CHART II- PERCENT CHANGE IN BAD DEBT LOSSES: 1946 TO 1947 BY SIZE OF FIRM

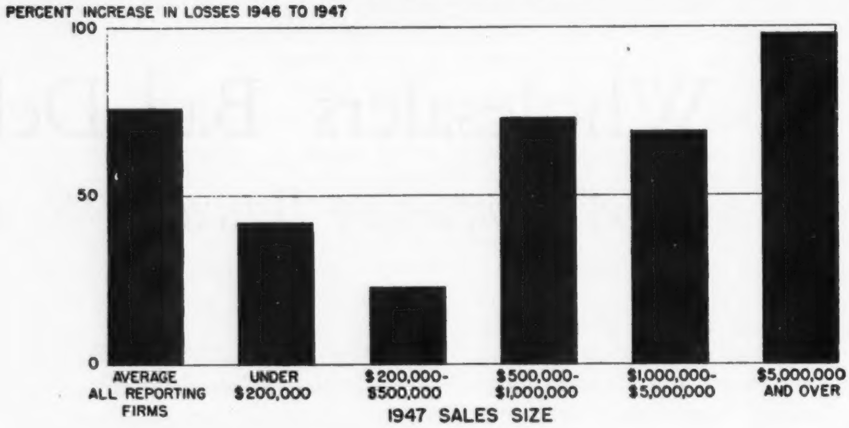
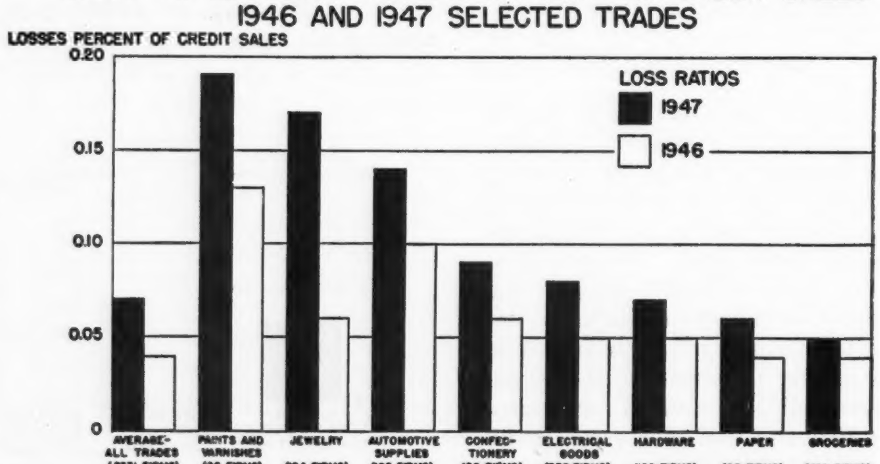


CHART III- BAD DEBT LOSSES PERCENT OF CREDIT SALES: 1946 AND 1947 SELECTED TRADES



Statements in Credit Work

Many Factors to be Considered in Full Analysis

by GEORGE F. HELWIG
Business Consultant
RUTTEN, WELLING & CO.
Detroit

This is the last of a series of three articles on the subject of financial statement analysis.

Ratios have a valuable place in the analysis of statements but must be shown in relationship to other factors which may transcend the data which is immediately at hand. Among the ratios which are frequently used by credit men in the analysis of the operating statement, we might mention the following:

1. Sales to receivables. This reflects the collection efficiency and the degree of investments in accounts and notes receivable.
2. Sales to inventory. This shows merchandising efficiency. This ratio reflects the sales velocity of the company and the ability to secure adequate market penetration.
3. Sales to fixed assets. This reveals the adequacy of sales volume in relation to the amount invested in the company's plant account, as well as manufacturing efficiency.
4. Sales to net worth. This is an excellent barometer as to the turnover of capital as reflected by the selling activities.
5. Sales to operating expenses. This is a true measuring stick for the operating efficiency of a company.
6. Sales to cost of sales. This reveals whether or not an adequate margin of gross profit is being secured by the management.
7. Sales to working capital. This is a measuring stick of current credit strength and turnover of the liquid assets of the company which are vital for its continued success.

Other Ratios to Watch

Other ratios that are watched carefully, in addition to the current and the quick ratio mentioned last month, are the net worth to debt, which indicates the degree of participation the company has in its own affairs, and the extent to which the creditors have an equity.

Well-managed companies everywhere either endeavor to secure a predominant interest in their own enterprise, or if this is impossible, to have a funded debt on terms which are favorable for retirement and which do not create a burden upon the current operation.

The net profit realized on total investment, that is the total assets employed and the net profit indicated on the net worth of the company, are excellent indicators of the efficiency of the management.

These ratios set up in comparative form for several years provide an excellent measure by which to review the success of past operations and also to judge the nature of the present performance, and in addition to these two things, they do provide a clue as to what the future of the enterprise might be.

Trends the Accountant Sees

Professional accountants have a unique opportunity to observe changing conditions. Observations which have been made during the past 18 months reveal in many cases the failure to control inventories and receivables, with a resultant slowing down of turnover and a tendency towards securing support from banking connections which often, through sharper financial control, could have been eliminated.

Other matters observed which are of interest to credit men were the following:

1. Failure to carry adequate insurance, a scrutiny of the policies of many companies revealed a lack of coverage of many important types and too small coverage in others. Often the amount of insurance expense shown in the operating statement and the prepaid insurance in the balance sheet is indicative of this condition.
2. Several recent heavy defalcations which seriously impaired the working capital of smaller companies showed only nominal fidelity bonds in force on employees handling large sums of money and materials.
3. Contingent liabilities are sometimes omitted in balance sheets and often no reference is made to notes receivable discounted or assets which have been hypothecated.
4. Including in the cash account, as a current asset, money impounded in closed banks, tied up by court order, restricted or set aside for sinking fund requirements.
5. Listing, as current assets, receivables from officers, employees, directors, partners, affiliates in poor financial condition.
6. Carrying, as liquid assets, securities which have little or no market value.
7. Showing, as assets, inventories which have been consigned or are free-issue material.
8. Including in Raw Material Inventory stock which was not usable due to size, shape, quality, change of product, obsolescence and other causes.
9. Carrying in inventory of finished goods products, which due

to price, appearance, lack of appeal, superior competitive products, are not marketable.

10. Listing other assets, both tangible and intangible, at extravagant values.

11. Failure to give expression to some liabilities, particularly accruals, for taxes—city, state, federal and other accounts. In this connection, a credit man should be aware of the implications of Section 102 of the Revenue Act which provides additional heavy tax liability for the improper accumulation of surplus.

12. Establishing inadequate reserves and sometimes showing a disposition to juggle reserves when earnings fall off. Reserves affected are those for bad debts, depreciation, amortization, obsolescence, depletion, valuation, etc.

13. Lack of subordination of liabilities due to officers and the possible effect this may have on general creditors.

14. Including capital surplus in earned surplus.

15. Failure to show amounts of restricted or appropriated surplus.

16. Burying in the surplus accounts many items which cover unusual losses and which tend to overstate the operating profits. Surplus accounts sometimes are a repository for costly managerial errors and an operating profit of $100,000 brought about by excellent manufacturing and distribution can be definitely offset by investment losses of $125,000. Items frequently found in surplus are excessive inventory losses, expenses of carrying surplus and idle equipment, write down on fixed assets, defalcation losses, unprofitable outside operations, underwriting costs, additional tax assessments, losses on sale of securities, heavy sums spent unavailingly on research and development. Because of the above and other similar items, credit men should examine operating profits carefully and should be quick to note any significant changes in a company's surplus account.

17. Sometimes a company which has incurred a series of heavy operating losses and subsequently a surplus deficit, suddenly emerges with a smaller capital stock outstanding and a substantial surplus account due to the manner in which it changed its capital structure. Reference to antecedent information and earlier financial statements will reveal this condition.

18. Sometimes assets which are owned only conditionally are shown on a balance sheet with often a corresponding credit to surplus. Cases of this kind include title to land and buildings upon fulfillment of contractual obligations.

19. Various forms of window dressing are encountered in some companies whose statements are not audited, which disclose temporarily a more favorable financial condition which actually exists.

Withholding purchases and related liabilities near the end of the fiscal year, reflecting cash receipts of several days after regular closing date, are typical of this.

The above items are merely suggestive of the many things that a credit man may encounter in an examination of companies which come under his observation.

Credit Man Can Find Solution

Business as it is constituted today has high ethical concepts and standards, and this is borne out by the fact that a relatively small number of accounts causes the major portion of our credit cares.

Because of this, where the financial statement reveals a situation which is not entirely favorable, it is possible in many cases for a credit man to offer constructive assistance and help in remedying a condition which otherwise would impair the value of the account to his company. Likewise, he may be able to make concrete suggestions for improvements in an operation, and to assist in the establishment of budgetary controls where necessary, and also to make an examination into the causes of low gross profits, high expenses, unsatisfactory net profits, dislocation of capital, and other matters which reflect an unsatisfactory condition.

In one case recently, an analysis made by a credit man of the slow-paying accounts of a customer's operation, uncovered the fact that nearly 60% of past due accounts of the company were attributable to two salesmen, who apparently could only sell very indifferent accounts. Frequently, assistance can be given in the formulation of a debtor's collection program, and often with a knowledge of financial conditions a credit man has been able to make a very satisfactory improvement in a debtor's buying habits.

Two-fold Responsibility

As credit work is constituted today, it carries with it a two-fold responsibility—first, that of securing the greatest volume of sales consistent with sound business, second, to liquidate these accounts in accordance with the terms of sale.

A knowledge, therefore, of financial conditions which may affect a company, provides today's credit manager with a most effective tool to safeguard his company from unnecessary losses, and, at the same time, to render very helpful counsel to many of its customers.

He is vitally interested in seeing that these customers have an ever-continuing flow of cash, which emanates from the purchases of raw materials or merchandise, which is then translated into sales and into receivables and finally returns in the form of cash, and very frequently the analysis of financial statements will be of material assistance in keeping this flow in a very orderly manner.

Summary

In our discussion we have tried, as far as possible, to present this subject in a simple manner devoid of many technical details which would serve no useful purpose.

It is believed that the principles that were set forth can be applied to a great many of our customers' balance sheets and operating statements, if proper consideration will be given to the nature of the industry, which may vary widely between extractive, manufacturing and distributing companies in various fields. It is possible, despite the wide variance of standards and conditions under which these companies operate to establish satisfactory yardsticks by which to gauge our customers' operations—if we have a reasonable knowledge of the industry.

It is suggested that more and

(*Continued on Page 46*)

Foreign Trade Developments

Marshall Plan Works on Adjustment Bureau Principles

by WILLIAM S. SWINGLE
Executive Vice-President
NATIONAL FOREIGN TRADE COUNCIL, INC.
New York

SO World Trade Week activities are carried out to help American citizens get a firmer grasp on the realities of our country's stake in worldwide business. Although this purpose may seem high-sounding, it is actually down-to-earth and decidedly practical. America's participation in international business is solidly based on our national economic needs. The influence of major world trade developments is inevitably felt in the business life of every state of the Union.

A new era of general realization of America's role in world affairs opened with the victorious conclusion of the war. As if to compensate for the international cooperation we generally withheld after the first world war, we went in for cooperation on a grand scale when the second great struggle ended. The United Nations was born on American soil, at Dumbarton Oaks and at San Francisco. It was born in this country, but it is being bred in an atmosphere of extreme international tension.

Despite all the obstacles in the path of cooperation, the United States continues to back the United Nations as one of our hopes for peace. We are playing an active, and I trust constructive, part in a great many of the United Nations commissions and subdivisions. Our participation in the International Monetary Fund and the International Bank for Reconstruction and Development is on an extensive scale. The United States took the leadership in efforts to establish an International Trade Organization with the purpose of lowering world trade barriers and of creating conditions for the expansion of world business. Late last year at Geneva, Switzerland, a general Agreement on Tariffs and Trade was concluded by twenty-three nations accounting for about three-quarters of the world's commerce. Without the action of United States Government officials, empowered by the Reciprocal Trade Agreements Act to negotiate foreign trade agreements, in calling the Geneva meeting, this vast multilateral accomplishment in economic collaboration would never have been attempted. One of its important immediate effects has been to confirm to the nations whose trust and friendship we want to retain that we mean business this time in the sphere of cooperation.

Extension of Trade Agreement Act

The Trade Agreement Act, having been renewed in 1945 for three years, is now due to expire June 12. In order to maintain in good form the many agreements we have entered into with other countries, it is essential that this Act be extended again without crippling modifications. If it is allowed to expire, the whole structure of our trade agreement relations with most of the major trading countries of the world will slowly but surely crumble away. Continuous negotiating power to keep our agreements in operation is considerably more vital than solemn declarations of a general intention to work with other countries to promote economic and political stability. Such intentions must be implemented. Once we begin to relax our efforts to put world business on a sensible, productive basis, a reverse trend will begin that in the end may engulf us in depression and weaken us both from an economic and security point of view.

The United States has taken all these steps I have just reviewed, and many more, but we are still a fair distance from the international economic goals we hope to see attained. As a nation, however, we are far from dismayed by the necessity for a great deal more hard work. The psychologists tell us that few people operate even near capacity, so perhaps we can safely advance the throttle several more notches, while still yearning occasionally for the more serene days when the events of the world did not require such intensive action on our part.

International Adjustment Bureau

That we are continuing to pursue the path of international cooperation is demonstrated by the recent passage of the Foreign Assistance Act of 1948, embracing economic aid to Europe and China. The Act can be well described in terms with which credit men are familiar, namely—the greatest adjustment bureau operation in history. In American business practice, particularly with the National Association of Credit Men, the adjustment bureau technique is put into practice before a complete commercial disaster has overtaken a company. It is, in fact, carried out to forestall bankruptcy. Creditors join together to assist an honest and going concern which, through no fault of its own, has suffered severe damage or hardship. Necessary capital and credit are supplied but judicious watch is kept on the use of funds to see that good results are achieved. Helpful scrutiny is given to the conduct of the ailing business. The object is to put an

otherwise healthy patient back on his feet as a useful member of the community. American assistance under the Economic Cooperation Administration falls directly into this category on a broad basis.

Europe is hampered by a considerable amount of political confusion. Intersectional rivalries, which on that continent take the form of international rivalries, are also serious hindrances to economic progress. But putting the confusion and rivalries aside, and looking at Europe primarily as an economy, that continent presents unmistakably the aspects of a partially run-down business which has suffered unusual damage and hardship. Nevertheless, it holds the fundamentals of a going concern, based on an enlightened civilization, with the resources and human energy required for a come-back. But help is needed in these initial stages of postwar restoration and advancement.

Steps Leading to ECA

Last June, almost a year ago, Secretary of State Marshall proposed at Cambridge that the United States would extend economic assistance to Europe if the European nations would band together to help themselves. After a preliminary conference had established the fact that some nations of Europe wished to cooperate in economic recovery, while others opposed the project, the sixteen nations composing the newly formed Committee of European Economic Cooperation published a report of their estimated needs. During the summer many members of Congress toured Europe for first-hand inspection of conditions. Last autumn a special session of Congress was called to consider the Marshall proposal.

An extensive study of our national resources and foreign aid potentialities was contributed by the Krug Committee. The Council of Economic Advisers in the Nourse report went thoroughly into the probable impact of foreign aid on our domestic economy. The President's Committee on Foreign Aid, the Harriman Committee, issued a further study of European recovery and American aid. The Herter Committee made further outstanding contributions to clarity and practicality of thinking on foreign aid.

Meanwhile, business groups, such as the National Foreign Trade Council, tackled the problem and set forth both underlying principles and practical means of administration for consideration. These many moves reflect in a surprising manner the sort of activities that are undertaken by those engaged in an adjustment bureau case. The situation has been looked into from every conceivable angle. Conditions have been carefully weighed and assessed. The character and resources of the beneficiary of help have been considered. So far as possible future contingencies have been taken into account. Following all these necessary and business-like preparations, Congress expressed its judgment and voted to place confidence in the ability of the sixteen nations to recover economically. Administrative machinery for conducting the program is being established, and it remains to be seen whether the risk was well calculated.

Emphasis on Action

The Marshall proposal in its early stages of application had the effect of turning the emphasis from confusion and rivalries to action in getting a job of reconstruction and development accomplished. Again using our adjustment bureau analogy, instead of a group of creditors rallying to help one company out of trouble there are sixteen nations pulling themselves together largely with the aid of one creditor nation. The underlying spirit and approach are similar. Engaging in this man-sized job seems to have had the effect of uniting American Business and government in effectively carrying out an important part of American foreign economic policy.

The dollars involved only mean that certain tools, materials, technical information and assistance are to be made available to the recipients of aid, just as in any industrial credit venture.

Dollars, by the way, cannot be depended upon to stop Communism. Basic economic health is required for that job. Communism, as it has been developed in practice, is itself only a vicious aftermath of disease. The recovery program can demonstrate that freedom of enterprise can produce results far beyond the system of police inhibition on economic endeavor. All possible reliance is to be placed on the services of private enterprise in international economic revival and development, as determined by Congress and as announced by the Administrators.

Creditors Benefit

When a business fallen on hard times has been helped back to good conditions, the creditors of the concern benefit as well as the people who rely on the business for their livelihood. In the same way, by extending assistance on a sound basis, the United States, as well as Europe itself, stands to gain from the European Recovery Program. In fact, the whole world business community, or that part of it which it free to participate in world trade, stands to gain.

Benefits the United States hopes to derive from its foreign assistance program are more stable, long range markets for American products, a more assured supply of foreign commodities of many kinds that we require for the best operation of our economy and, in general, an active and progressive world in which the United States can prosper in accordance with its own political and economic principles.

The analogy can be carried to a logical conclusion. In our domestic business life, when an adjustment bureau operation has met with success all normal relationships are resumed. No outside guidance, or as it might be called, interference, is continued in the affairs of the company. This is likewise one of the major aims of the Economic Recovery Administration. There is no intention of maintaining any dominance over the economic or other affairs of Europe. Our attitude is one of helpfulness.

Alternative Is Bankruptcy

The alternative to successful operation of the foreign aid program, as it is in a case to assist a company here at home, is usually bankruptcy with little or perhaps no return whatsoever to the creditors. So far as Europe is concerned,

(*Next Page, Column Three*)

Rukeyser Calls For Vigilance By Management

The bubbling over of bullishness in Wall Street, in the face of international and domestic strife, is perhaps a manifestation of the psycho-neurosis of the collective financial mind.

This comment was made by Merryle Stanley Rukeyser, economic commentator for International News Service, in an address at the annual convention of the National Association of Credit Men.

"Bidders for goods and for intangibles," the economist declared, "seem to thrive on world troubles, and to grow cautious when there are indications of approaching peace and normalcy. The intensification of the cold war with Russia, with the accompanying rearmament, lifted the stock market from the doldrums, where it had been for two years in the face of buoyant corporate earnings and full employment.

"One rational explanation for the anomaly is that the putting of higher price tags on things and on equities is partly a recognition of the resumption of inflation. Previously, before the new rearmament program, speculators tended to ignore good news about business and employment on the theory that the country might be on the precipice of deflation. During that long arid spell in Wall Street, traders were in a mood to throw all the good news into the waste basket.

"The new phase, which started in March, is based on the growing opinion that corrective deflation, which may be expected eventually, is not in the offing. Bulls have been registering their view that the inflationary dance would go on for a considerably longer period.

Artificial Pegs

"The current big total volume of business and employment rests on several artificial pegs, including abnormally big farm income, an extraordinary export boom financed largely by loans and gifts, and colossal governmental spending. On top of this, the determination of the barometric steel industry to hold the line on wages has encouraged the hope that owners might get a larger share of the inflationary gravy.

"The tendency to seek new emergencies as a rationalization of bullishness is itself a symptom of abnormality. It grows out of the loose economic thinking which holds that a record-breaking dollar national income is needed to service the bloated federal debt. The cost of government has expanded so much that in order to balance the budget it is necessary to count on a continuous business boom. Thus the market appears to welcome evidences of emergency, which are stimulants for continuing the tendency of business to move at a supersonic speed.

"Meantime, while the aggregate activity is large, there have been healthy readjustments within specific industries. As durable consumer hard goods, such as electrical appliances became available after the war, the customer's dollar shifted to a degree from soft goods items.

"The prevailing emotionalism recalls the late Paul M. Warburg's sage advice: 'The way to avoid a bust is to sit on the bulge during a boom.' This is no time for responsible public and private leaders to lose their heads. On the contrary, there is great opportunity for public service in trying to put the economic house in order.

Attention to Costs

"In private industry, this means vigilant managerial attention to the cost sheet—including an unremitting effort to eliminate economic waste. In governmental housekeeping, this presupposes rigid economy in all other categories of governmental spending in order to provide funds for the growing preparedness program. If increased military expenditures are piled on top of the normal $40 billion Truman budget, without compensating economies in other directions, the inflationary pressure would be greatly intensified. Economies are necessary in order to perpetuate the tax revisions which the 80th Congress recently made. Without such insistence on frugality, there will be a demand next year to raise tax rates in order to avoid new budgetary deficits."

Foreign Trade

(*Continued from Previous Page*)

if that continent is not put on a productive healthy basis it will be a very severe blow to our concepts and desires for freedom and a better way of life.

Businessmen in foreign trade are convinced that one of the most urgent needs of our country is a vigorous follow-through of policy. The mere signing of agreements of any kind is quite a different thing from carrying out their terms. The Atlantic Charter, the United Nations Charter, and treaties and agreements by the score have never in themselves solved any problem conclusively. In business, when signatures are placed on a sales contract, this action is only a preliminary to actually delivering the goods, on time and as ordered. Foreign traders are inclined to feel that, while it is desirable to clean up after a disaster, it is of much greater importance to prevent the next one. The substance of any agreement, and the action it leads to, are the major considerations. This follow-through is needed from several sources, all contributing to sustained action. High policy of the country ought to be consistent. Legislation should be clear and specific and enacted as promptly as possible. Administration of programs such as the Economic Cooperation Administration or the trade agreements ought to be carried out with the continuing interest and support of the American people. It is not wise to say: "Well, the law has been passed, or the agreement signed, now we can relax." By following through on our programs we can come ever closer to the achievement of our goals. By continuing enlightened cooperation between government, private trade, and the public, we can adapt our methods to meet current situations and lay the foundations for sound, constructive action in the years ahead.

Objectives of I.T.O. in World Trade

Organization Hopes for International Code of Ethics

by ERIC WYNDHAM-WHITE,
Executive Secretary
Interim Commission, I.T.O.

To describe the Havana Charter and the International Trade Organization is a formidable task. The Havana Charter is one of the largest and most complicated documents of its kind ever written. It covers a vast area of hitherto uncharted waters in international trading relations. It contains about 35,000 words. Much of it was written *by* specialists, *for* specialists. Nevertheless its basic *aims* are clear. So are the *means* which I.T.O. is given to accomplish its task.

What I propose to do in this short article is to cut through the jungle of technicalities and to show you the foundation, the structure and the main characteristics of the Havana Charter. I shall suggest where I.T.O. will stand and how it will operate in relation to the other great agencies which are designed to bring order into our economic chaos.

Let us then see what is being done today to translate these phrases into action. There is the Food and Agriculture Organization. F.A.O. is already doing important practical work in the international field on questions of production and distribution of food and agricultural products and on the all-important subject of nutrition. The International Monetary Fund is at work in the field of the stabilization and regulation of foreign exchange. There is an International Bank for Reconstruction and Development to foster and supplement the flow of capital into economic reconstruction and development. There is the older and widely respected International Labour Organization. Coordinating these and other similar agencies is the Economic and Social Council of the United Nations, aided by regional commissions in the Far East, in Europe, in Latin America, and in the near future probably in the Middle East as well.

57 Nations Confer on I.T.O.

There is, however, a gap in the structure, a gap which, it is hoped, will be filled by the International Trade Organization. The Charter for the I.T.O. was completed at Havana in March of this year by a Conference of 57 nations. The representatives of 53 nations initialed the Charter for submission to their governments. This was the sequel to two years of continuous study and international discussion. It ended the longest period ever known in diplomatic history for hammering out a single document of this kind.

The Charter was written by nations representing all but ten per cent of the world's trade. It stands today for judgment by the peoples of the world, the most comprehensive code of commercial behaviour which has ever been agreed.

The International Trade Organization will provide a blueprint for getting together and working together on practically every aspect of international trade and commercial policy.

Let us take a look at its general principles. Each one of these is important. Each one of these is related to one section of the Charter rules or another, as I intend to show you. These are the principles:

to assure a *large* and *steadily growing volume* of *real income* and *effective demand,* to *increase* the *production, consumption* and *exchange* of goods, and so to contribute to a balanced and *expanding world economy.*

to promote industrial and general *economic development,* particularly of those countries which are still in the early stages of industrial development, and to encourage the *international flow of capital for productive investment.*

to further the enjoyment of all countries, on equal terms, *of access to the markets, products and productive facilities* which are needed for their economic prosperity and development.

to promote on a reciprocal and mutually advantageous basis the *reduction of tariffs and other barriers* to trade and the *elimination of discriminatory treatment* in international commerce.

to enable countries, by increasing the opportunities for their trade and economic development, to *abstain from measures which would disrupt world commerce,* reduce productive employment or retard economic progress.

to *facilitate the solution of problems relating to international* trade in the fields of employment, economic development, commercial policy, business practices and commodity policy.

Stand on Trade Barriers

First, then, let us examine the principle concerning barriers to trade. The Charter prohibits in general terms all forms of discrimination in international trade. Tariff policies must be conducted on the most-favoured-nation principle. Certain existing tariff preferences are necessarily *allowed* to remain because they cannot be swept away overnight, but they must—according to the Charter—be progressively reduced and ultimately done away with

Secondly, the use of the most obstinate and obstructive of all trade barriers, the quota or quantitative restriction, is condemned.

To this there are again necessary exceptions. The first broad exception is made necessary by the well known effects of the war: many countries have exhausted their resources of foreign exchange and cannot produce for export sufficient goods to pay for their essential imports. To these countries, the restriction of imports by quotas is temporarily a matter of life or death. But the Charter makes it clear that the use of quantitative restrictions is only exceptionally allowed whilst these conditions persist. They must be removed as soon as conditions permit. The quota is, as I have said, outlawed as a permanent implement of commercial policy.

There are also some other exceptions envisaged in these two rules but these exceptions are confined to very closely worded conditions and can in general be resorted to only with the approval of the International Trade Organization.

It may be asked why there should be exceptions and whether these exceptions do not defeat the value of the rules. This, I think, can be confidently denied. If there were no exceptions to the general rules no country, not even the USA, would accept the Charter.

Importance of I.T.O. Program

It is of great importance that there should be an International Trade Organization so that its influence can be felt before the restrictions which are made necessary by the current period of commercial and financial emergencies become a permanent feature in our economic landscape. This is precisely what happened in the period between the wars, with disastrous results.

An Organization and a Charter which is to command wide support at the present day must be realistic and take account of the economic factors of the day. This need for realism is the reason why some, if not all, of the temporary exceptions in the Charter are admitted and have been written in.

Further, the Charter is a positive and dynamic instrument which recognizes that the expansion of world trade is the principal requisite of the attainment of economic advance and stability. A world trade Charter must, therefore, be sufficiently flexible to permit the world's resources to be developed as fully as possible, particularly in those areas as yet relatively undeveloped, and in areas where a great task of reconstruction still remains in the wake of the Second World War. The Charter therefore will enable, for example, groups of under-developed countries to arrange between themselves to ensure markets for their nascent industries. It will enable groups of countries to make regional pacts, such as customs unions, as part of the process of their reconstruction. We are at present witnessing in Europe, under the stimulus of the Marshall Plan, an ambitious experiment in this direction.

A word here about international investment, in which I know you are interested. The Charter fully recognizes the importance of foreign investment, as essential for promoting economic development. The outline of a fair code of investment principles is sketched which whilst taking full account of the rights of receiving countries recognizes the need to provide opportunities for and security for foreign investment. The countries which subscribe to the Charter will pledge themselves to enter into negotiations directed to this end and to avoid discrimination as between foreign investments.

The Charter contains rules governing the use of subsidies and an important series of technical provisions regarding the administration of customs formalities and other closely connected matters which in the past have been used as instruments of concealed protection.

There are important provisions aimed at preventing the aims of the Charter towards promoting trade being negatived by restrictive business practices on the part of private or public commercial enterprises.

Other Features of Charter

The Charter contains an international set of rules covering the conditions in which inter-governmental commodity agreements shall be established and administered. Agreements of this type were, as you know, designed to ensure stability which could not be attained by the operation of market forces. This part of the Charter places a significant emphasis on the need for measures which will expand trade as opposed to restrictionist methods. In the past commodity agreements which contained an undue representation of producers, all too often resulted in restriction of trade. The Charter places special emphasis on the importance of the adequate representation of consumers as well as producers.

This, very briefly, is a bare outline of what the Charter contains and what it will be the task of the International Trade Organization to administer. What sort of organization will I.T.O. be? How will it operate?

I.T.O. will have, as its main task, to administer the Havana Charter. In so doing, I.T.O. will have specific functions such as to arrange consultation between members for reduction of tariffs and elimination of preferences. I.T.O. will have powers to deal with complaints about such matters as trade discrimination and unfair practices. I.T.O. will be able to permit a member to take action, if circumstances warrant, contrary to the precise letter of the Charter. In performing these and other functions, I.T.O. has duties of a legal character and we may expect the gradual building up of decisions having the nature of case law.

But let me emphasize one point. No rules, no regulations in the world, however skillfully drafted, will cause an agency such as I.T.O. to function well. There must be a will, a strong inflexible will amongst the member nations, whoever they may be, that I.T.O. shall do its job effectively.

Executive Board of 18 Members

The Organization will have an Executive Board of 18 members broadly representative of the various regions of the world. This Executive Board will be in almost permanent session and will report to an annual Conference of all the members of the Organization. In addition, the Organization will be served by a Director-General.

I.T.O., by comparison with the other great agencies of the United Nations, need not be a great burden on the taxpayer. Its cost, so far as can be seen, will be largely an administrative one.

As I have said before, the Charter has been drawn up and at present awaits acceptance by governments before it enters into force. 27 ratifications are required but 20 will be sufficient if by 31 March 1949 the 27 have not come in. In these circumstances, the Organization is not likely to come into being until some time in 1949, probably in the latter part of that year.

Of crucial importance, of course, will be the attitude of the United States Congress, for it can hardly be expected that the Havana Charter will find approval in many countries should the United States choose to reject it or delay taking action.

Preliminary Acts on Tariffs

Meanwhile the work of trying to bring order into international trade is not in abeyance. In April to October of last year, under the aegis of the Preparatory Committee of the World Trade Conference, 23 countries representing some 70 per cent of world trade negotiated the General Agreement on Tariffs and Trade embodying tariff concessions on some 45,000 items of goods entering into world trade, the most comprehensive set of tariff reductions ever negotiated in history. The Agreement negotiated in Geneva has been put into provisional operation by 11 of the signatories including the United States and the tariff concessions are in force between them. The General Agreement, moreover, contains more than mere tariff concessions; it contains an important number of principles which are embodied in the Charter, and the countries which are applying the Agreement are also applying these provisions within the limits made possible by their existing legislation.

There is also an Interim Commission for the International Trade Organization of which I have the honour to be Executive Secretary. This body is clearing the ground for the first Conference of the Organization in order that it may get to work efficiently and without delay. We shall make good use of the intervening time.

Let me summarize. The Havana Charter is not a perfect document. But it certainly represents the best that could possibly be done at the present time, when economic conditions are completely out of gear and when political friction is hampering the resumption of even tentative economic relations. It is not designed to be a remedy for short term economic difficulties. It is intended to encourage short term remedies which will aid rather than hamper the long term objective of expanding international trade.

To Promote Economic Code

The intent of I.T.O. is to promote an agreed code of economic behaviour amongst nations which is to prove increasingly its value and importance after the present post-war difficulties have been overcome. I see, in this connection, that a recent issue of the Review of the Federal Reserve Bank of New York refers to I.T.O. as "serving as a world economic supreme court," adding that "the mere fact of the Organization's existence may in the end become an important preventative of wasteful economic warfare."

I have stressed that the Havana Charter can only fully achieve its objectives as underlying economic conditions improve. But, at the same time, it is vital to raise now the targets we are aiming at. Only in this way will the emergency measures fit into an eventual trade pattern based upon the principles of the Charter. This is specifically recognized in the Charter of the Organization for European Co-operation. What we must do is to prevent measures which are imposed by abnormal economic conditions from becoming part of the normal process of international trade.

May I, in concluding, forestall one question? The USSR although invited did not take part in the Preparatory Committee nor in the Havana Conference. There is a place for USSR named on the Executive Committee of I.T.O. The door is open. It will remain open.

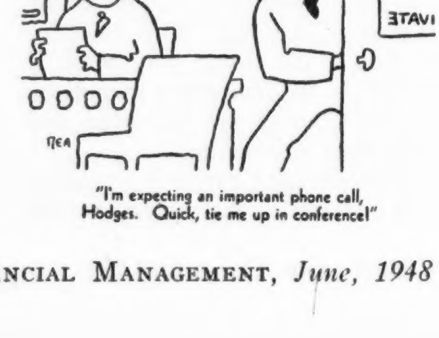
I would say that the world now stands at a crossroads. I do not think that I can describe the alternatives better than in the words of Mr. Clayton who said at Havana, "there are only two roads open to us: one leads to multi-lateral non-discriminatory trade with a great increase in the production, distribution and consumption of goods in the world and happy relationships between all countries; the other leads to economic nationalism, restrictionism, bi-lateralism, discriminatory practices, lowering of the standard of living and bad feeling all around. We must choose now which road we will take."

Important Ruling Made on Taxes in Bankruptcy

In two companion cases, both decided on May 25, 1948, three of the five Judges of the United States Circuit Court of Appeals for the Second Circuit, decided that interest does not accrue on claims of taxing authorities, federal, state or municipal, after the date of the filing of a petition in bankruptcy by or against the taxpayer.

The majority opinion was by Judges Learned Hand, Swan and Clark in a case entitled *Lewis H. Saper, as Trustee in Bankruptcy of Spotlight Productions, Inc. v. The City of New York*. The companion case was decided by Judges Augustus N. Hand, Chase and Clark, and was entitled *Leonard H. Carter, Trustee of Union Fabrics, Inc., Bankrupt, v. United States of America and State of New York*.

It will be observed that Judge Clark was a member of each of the three-man courts which decided the cases, and it was Judge Clark who wrote the opinion in the *Spotlight Productions* case. The opinion in the *Union Fabrics* case was written by Judge Augustus N. Hand who stated that both he and Judge



"I'm expecting an important phone call, Hodges. Quick, tie me up in conference!"

Chase think that interest on tax claims should be allowed to the date of their payment under the settled ruling of the federal courts prior to the enactment of the Chandler Act in 1938, but stated that they decided to acquiesce in the contrary decision of the court on this question in the *Spotlight Productions* case which represents the view of the majority of the five judges who have been concerned with the question. Judge Clark concurred in the result only.

In *Davie v. Green*, 133 F.(2d) 451, the Circuit Court of Appeals for the First Circuit held some years ago, and subsequent to the enactment of the Chandler Act, that interest on tax claims is allowable to the date of payment. There is, therefore, a clear conflict between the First Circuit and the Second Circuit, and the question will undoubtedly go to the United States Supreme Court for final decision.

Gerdes & Montgomery, counsel to the National Association of Credit Men and the New York Credit Men's Association, filed a brief as *amicus curiae* on behalf of the New York Credit Men's Association in the *Union Fabrics* case.

Par Clearence Makes Slow Steady Progress

Substantial progress has been made since December, 1942, in furthering the par-clearance program of the National Association of Credit Men. At the close of 1947 all banks in the District of Columbia and 27 states were on the Federal Reserve Par List.

During those five years the number of par banks in the United States has increased by 652. The number of non-par banks decreased by 668. Three states have only two non-par banks and six have ten or less. During 1947 16 states showed decreases in non-par banks, four states showed no change and one showed an increase of 2.

While the National Association of Credit Men and its affiliated Associations cannot claim all the credit for the steady progress of the par-clearance program, it is unquestionable that their leadership and effort have made outstanding contributions to it.

Uncle Sam's Payroll

Consolidated table of Federal personnel inside and outside continental United States employed by the executive agencies during March 1948, and comparison with February 1948

Department or Agency	February	March	Increase	Decrease
Executive Departments (except National Military Establishment)				
Agriculture	70,144	71,641	1,497	.....
Commerce	38,194	39,289	1,095	.....
Interior	47,214	47,900	686	.....
Justice	26,175	26,453	278	.....
Labor	4,556	4,662	106	.....
Post Office	471,868	481,612	9,744	.....
State	21,470	21,368	.....	102
Treasury	87,839	89,605	1,766	.....
Executive Office of the President				
White House Office	220	223	3	.....
Bureau of the Budget	603	605	2	.....
Executive Mansion and Grounds	102	78	.....	24
National Security Council[1]	11	14	3	.....
National Security Resources Board	84	107	23	.....
Council of Economic Advisers	54	43	.....	11
Office of Government Reports	18	18	.....	.....
Emergency War Agencies				
Office of Defense Transportation	41	44	3	.....
Postwar Agencies				
Philippine Alien Property Admin.	171	165	.....	6
War Assets Administration	29,285	25,700	.....	3,585
Independent Agencies				
American Battle Monuments Comm.	103	118	15	.....
Atomic Energy Commission	4,947	4,955	8	.....
Civil Aeronautics Board	588	595	7	.....
Civil Service Commission	4,012	4,097	85	.....
Export-Import Bank of Washington	114	115	1	.....
Federal Communications Commission	1,359	1,359	.....	.....
Federal Deposit Insurance Corporation	1,151	1,132	.....	19
Fed. Mediation and Conciliation Ser.	367	374	7	.....
Federal Power Commission	793	804	11	.....
Federal Security Agency	[2]34,219	[3]34,418	199	.....
Federal Trade Commission	559	558	.....	1
Federal Works Agency	22,577	22,520	.....	57
General Accounting Office	9,353	9,302	.....	51
Government Printing Office	7,398	7,312	.....	86
Housing and Home Finance Agency	11,825	11,807	.....	18
Indian Claims Commission	11	11	.....	.....
Interstate Commerce Commission	2,257	2,265	8	.....
Maritime Commission	6,948	7,104	156	.....
Nat. Advisory Comm. for Aeronautics	6,249	6,235	.....	14
National Archives	335	345	10	.....
National Capital Housing Authority	284	292	8	.....
Nat. Capital Park and Planning Comm.	24	24	.....	.....
National Gallery of Art	317	311	.....	6
National Labor Relations Board	1,135	1,371	236	.....
National Mediation Board	108	116	8	.....
Office of the Housing Expediter	4,635	4,509	.....	126
Office of Selective Service Records	680	706	26	.....
Panama Canal	24,732	24,512	.....	220
Philippine War Damage Commission	571	692	121	.....
Railroad Retirement Board	2,769	2,759	.....	10
Reconstruction Finance Corporation	5,883	5,765	.....	118
Securities and Exchange Commission	1,123	1,122	.....	1
Smithsonian Institution	518	511	.....	7
Tariff Commission	223	219	.....	4
Tax Court of the United States	125	125	.....	.....
Tennessee Valley Authority	14,111	14,326	215	.....
Veterans' Administration	206,626	202,603	.....	4,023
Total, excl. National Military Estab.	[4]1,177,078	1,184,916	16,327	8,489
Net increase, excluding National Military Establishment	....	....	7,838	
National Military Establishment				
Office of Secretary of Defense	675	751	76	.....
Department of the Army				
Inside continental United States	255,798	259,601	3,803	.....
Outside continental United States	126,406	130,355	3,949	.....
Department of the Air Force	113,680	115,331	1,651	.....
Department of the Navy	340,131	339,907	.....	224
Total, including Nat. Military Estab.	2,013,768	2,030,861	25,806	8,713
Net increase, ...	....	....	17,093	

(Footnotes on Page 21)

America's Number One Asset

by CLIFFORD F. HOOD
President
AMERICAN STEEL AND WIRE CO.
Cleveland

Those of us who are fortunate enough to be in daily touch with a wide representation of American industry and with the men who manage those industries have right in front of us perfect examples of what I consider to be the nation's Number One Asset—efficient management.

As credit men, you are, I know, constantly alert as to the tangibles and intangibles on the asset side of a balance sheet. I also know that you are further aware of the factors which are responsible for a favorable financial condition in any business. One of the most important of those factors is the quality of the executive management of business.

Andrew Carnegie once stated something to the effect that if all his factories, his mills, his machinery and equipment, all his railroads were taken from him, he still would come all the way back if only his men were left to him. He was correct, of course. No business can prosper without an adequate and efficient organization to operate it. No machinery or equipment is worth a cent unless skilled and experienced workers are available to man it.

Management Needed Too

But Andrew Carnegie did not tell the whole story in his humble statement. He neglected to point out that no body of men—no matter how skilled—can efficiently operate a business unless adequate top management is available to lead the way. Andrew Carnegie, in his way, was a genius. He had the ability to organize and inspire the men who worked with and under him. He had the ability to surround himself with specialists who knew their respective jobs better than he, himself, did. He worked with and molded those individuals into a smooth, compact organization which performed with a high degree of efficiency to bring about a profitable and satisfactory operating condition.

Other men have been endowed with similar characteristics. The late William Knudsen had this gift. John D. Rockefeller, Andrew Mellon, and Henry Ford were examples of that type of leader. Many of our contemporaries possess that ability—such men as the Wilsons of General Motors and General Electric, Henry Ford, Ben Fairless, my boss, and others.

The Qualities of Leadership

These men have in them the qualities of leadership which any business must have if it is to be and continue to be a good credit risk. These qualities of top flight leadership are, for the most part, difficult to analyze. They are nevertheless real and essential. They include enthusiasm and determination. They include humility and ambition. They include a knowledge of human nature, confidence in one's self, ability to listen well, ability to get along with people, frankness, willingness to learn, and sincerity and honesty.

In addition to these, however, good management provides vision—the ability to see through and beyond the present and into the problems of the future. Creative thinking which will produce new results is the principal means by which any organization can keep up with the parade and maintain its position in its particular field.

The multitude of problems which must be faced requires clear, honest thinking if those problems are to be solved. The future progress of our business establishments depends upon the vision and foresight of today's industrial and business leaders.

Changes have been occurring since the beginning of time. As life developed on our planet and man evolved from the lower animals, constant changes were taking place—slowly, to be sure, but constantly and relentlessly. The tempo of this change has varied according to existing conditions, but never has the state of the world or its inhabitants remained completely static.

The factor of change today is many-sided. Throughout the history of our industrial life, the constant factor with which we have had to contend year in and year out has been Change. No industry ever has attained such a high degree of perfection that it can go serenely forward without a means of meeting ever-changing conditions.

The very existence of any company depends upon constant alertness for new methods, for new materials for processing, for new ways to cost reductions, and even for new fields of endeavor. No business can stand still. No manufacturer can do things as he did yesterday. Without constant improvement, a business may continue on its own momentum for a few years, but the end is sure.

---

[1] Exclusive of personnel of the Central Intelligence Agency.

[2] This figure has been adjusted to include 1,226 employees of Howard University and 99 employees of Columbia Institution for the Deaf, who have not been included in this report previously. Decision on their actual status is still pending.

[3] Includes 1,175 employees of Howard University and 97 employees of Columbia Institution for the Deaf.

[4] The total for February has been adjusted to include the employees referred to in footnote (2).

The Vexing Problem of Fixtures

Legal Ambiguity Demands Credit Caution

by CARL B. EVERBERG
Attorney-at-Law
Boston

There are two grand divisions of *things* in the law—personal property and real property. Personal property can be visualized generally as things movable, portable, detached or unattached to land or to buildings made part of the land. And real property consists of land and those annexations to the land which become a part of the land, so to speak. The distinction between the two natures of property is highly important; the manner of conveyance, of mortgaging, of descent in the event of the death of the owner and many other transactions is entirely different in the case of real property from personal property.

And real property may be fictionally represented as being capable of swallowing up the individuality and characteristic of personal property if the latter forms too close an affinity for the former. One of the leading cases puts it this way: "It is an ancient maxim of the law that whatever becomes fixed to the realty, thereby becomes accessory to the freehold, and partakes of all its legal incidents and properties, and can not be severed and removed without the consent of the owner." *Teaff v. Hewitt,* 1 Ohio State 511. Many embarrassing situations are possible under such legal conditions. One might, for example, construct a house on land belonging to another by mistake, and lose the right to the house because it became part of the land owned by the other.

Perplexing to Credit Man

The subject of fixtures enters into this realm of law because a fixture is a *thing which has had its nature changed from a chattel to real property* by annexation. And the subject of fixtures also enters the realm of many a credit man, especially a credit man for a firm which deals in fixtures. But whether a firm deals in fixtures or not, there are other reasons why the credit man might be very much interested in the subject of fixtures. Can he attach or levy execution on certain fixtures as the property of a debtor, or have such fixtures come under a real estate mortgage because they are fixtures? And in all this the problem which is the most perplexing to the credit man is whether he can safely sell fixtures on a title-retention device (such as a conditional sale) or by taking a chattel mortgage on them, when there is always a possibility that a mortgagee or purchaser of the premises to which they are affixed, has a paramount right to them because of the annexation to the real property.

Not all things annexed to real property become fixtures. Hence a credit man who sells articles which are in some manner to become fastened for safety or convenience and can easily be unfastened, may not have any problem if he knows that the courts will declare that the goods or articles in question will not lose their characteristics as personal property even when fastened to the real property.

Courts Do Not Agree

But the designation of articles as either fixtures or not fixtures is the most perplexing facet of the whole problem. The courts do not agree with each other, and it would be practically impossible in any event to make a general rule which would at all times be applied to any given article. This is because the mode of fastening or annexation may differ from case to case. As the courts put it: the question as to whether an article becomes part of the real estate is a mixed question of law and fact.

The various states pursue respectively three different tests as to whether personal chattels become real property upon annexation: (1) one set of states follows the *Teaff v. Hewitt* doctrine (this case cited *supra*) in which the intention of the party making the annexation, as modified by the nature of the article, governs; (2) another set of states follows the so-called New York rule where the intention of the *vendor* is the paramount factor in determining the question; (3) there is the so-called New Jersey rule under which the question is determined on the point as to whether removal of the fixtures causes harm to the freehold. But these rules are not followed consistently either; hence there exists an ever-present uncertainty in this field of operations.

Court Decisions

Following are examples of how the Supreme court of Massachusetts has adjudicated the nature of various articles. *Held to be fixtures:* a drilling machine weighing a ton, fastened to the floor of a machine shop by screws and braced to the beams of the floor above; a machine bolted to blocks of wood which were also bolted to the floor; boilers, in a building joined to a mill, which were used to supply steam to the mill; rails on the roadbed of a railroad; conduit pipes laid without right by a city in a private way; articles of plumbing;

a portable furnace in a house to which pipes and registers were attached; a sprinkler system; refrigerating equipment; a water heater system; an iron staircase. *Held to be personalty:* carding machines in a factory, not nailed to the floor, but so large that they could not be taken out of the building except by disassembling them; worsted machinery; laundry machinery, machines fastened and vises screwed to benches; machines resting on the floor by means of iron legs, and fastened to the floor by screws to steady them; store fixtures; bowling alleys; hotel bars; certain kinds of refrigerating equipment.

Agreements Not Ironclad

Parties may agree between them that fixtures attached to the real property are to remain personal property and may be removed. This might solve the problem very handily in a case for example, where a conditional vendor dealt in heavy machinery which had to be imbedded in the realty. If the vendee, owner of the land, agreed with the vendor that the machinery was to remain personal property and upon default it could be removed by the vendor, such agreement would be enforced. But it is not so simple as this. The vendee might at any time mortgage his realty or he might sell it to a new grantee. A mortgagee or grantee would be entitled to hold everything which was part of the realty; such is the law, and it would make no difference that the grantor of the real property had agreed with a conditional vendor that machinery which had been made part of the realty was to remain personal property. For the mortgagee or purchaser are not party to the agreement, *unless they had notice of the agreement at the time of taking title.*

There is therefore no safety in such agreement where there is any possibility that the vendee, owner, may mortgage or sell the real estate. The safer course, therefore, if it can be arranged, is to let a vendor pass title in the machinery to the vendee and take back a *real estate mortgage* on all the premises. Such mortgage, when recorded,

(*Continued on Page 46*)

It Can Happen Again

Vesty Gates Ponders on Problem Parents

by HELEN M. SOMMERS
Credit Manager
TROJAN HOSIERY MILLS
Indianapolis

Author's note: All persons and places mentioned in this article are purely fictitious. Any resemblance to people or firms is purely coincidental.

Alice doodled on her scratch-pad. Preoccupied frown and complete abstraction from the noise and activity of the office indicated a knotty problem and "heavy intercranial operations" as V.G. would have put it. Beneath the belabored scratch-pad lay the credit report she had been studying.

Vesty Gates, sitting opposite, snatching unnecessarily stealthy flash-observations while seeming to be buried in a report of his own, was well aware that a decision was in labor and having difficulty. Wisely he had let her alone to corral random thoughts into articulate questions before he spoke. Now he saw them coming. He laid down his report and tripped the trigger.

"What is puckering your usually placid brow, Miss Lert? Judging from the artistic expression which you have been indulging your subconscious, I should say the problem might have several angles."

Alice laughed as she became aware of the page scrawled with a confusion of triangles, inverted Y's, branching diagrams, and other less intelligible figures.

"Angles it has. I guess I must have been thinking of this parent company and its two subsidiaries when I doodled these figures."

"Oh! Parent and child relationship? Don't tell me its a problem in juvenile delinquency!"

"No delinquency at all. We haven't even accepted the account yet. It's that new Pretty Girl account that you wanted me to try my wings on." Alice didn't let her tone of voice indicate that she suspected that Vesty had deliberately given her a tough assignment.

She continued, "This company is one of two operating subsidiaries wholly owned by a holding company which owns their capital stock and also the buildings they occupy. I drew a report on Pretty Girl and also on the parent. General information is pretty good, but the reports contain only a consolidated statement. It seems to be fairly good but. . . ."

"Now, let's see," Vesty interrupted, "we are selling one child of a family of two and you have a statement which consolidates the assets and liabilities of the parent and the two offsprings."

"Yes. No doubt we will be selling both subsidiaries before the deal is over."

"Miss Lert, when you open a charge-account do you tell the credit interviewer how much salary your brother makes and the fact that your father owns ten shares of Bubble-Up Wildcat, or is he more interested in what you own and the fabulous salary you draw from this organization?"

Alice gave him a look that meant he was asking questions with obvious answers.

"I realize that we have three separate corporations here," she said with dignity, "and that corporations are legal entities and only their own assets are available for creditor protection. I was about to say, when you interrupted, that I had decided to try to get a statement direct from Pretty Girl since that is the company we are selling and since there is no indication that the parent company guarantees the account. But this whole business of consolidated statements has raised several questions that I have been batting around."

"Let's have them," Vesty encouraged.

"Question 1. If the consolidated statement is solid enough, does that indicate that the individual statements from which it is compiled are apt to be good, too?"

"In other words do you arrive at six by adding two, two, and two; or four, one and one; or even four, three and minus one."

Alice's perceptions were quick enough to catch significance in the *minus one*. She stored the idea away for future exploration and continued stating the questions to be considered.

"Question 2." She was tallying them off emphatically on her fingers. "If one subsidiary should be weak and another strong, wouldn't the parent company naturally step in there and even things up a bit?"

Vesty smiled the indulgence which the enlightenment of 50 years feels privileged to bestow on the naiveté of 25. "Rob Peter to pay Paul's debts? A neat solution . . . and it has been done, I grant you. But you have to make two assumptions if you answer yes to that question—one, that Peter has available ready cash beyond his own needs and, two, that papa is willing. Paul's business for instance, may be a failing one, and papa sees that he would be throwing good money after bad. Maybe, for instance, the location is bad for a women's accessory shop, and papa figures he would be better off to let the place flop and rent the building to a machine shop or a tavern."

"The parent company would in that case lose its original investment in the subsidiary?"

"Which might be small," he nodded, "compared to what it could lose if it took money out of pocket or drained Peter's successful business to bolster Paul's failing one. No, Friday"; Vesty squeaked back in his swivel chair, hands clasped over his head, and generalized. "Subsidiaries, independent companies, or whatever, you can never *assume* that additional funds will be supplied to strengthen a weak financial structure, no matter how obvious or logical the source of those funds may appear. You have to know all the facts."

"Yes, I can see that. But to get back to this business of the parent letting the subsidiary fail if it so chooses. That can't happen if the parent company guarantees payment of the subsidiary's debts, of course?"

"Well, at least not until the parent company has exhausted its own resources, which of course includes its interest in any other subsidiaries it may have."

"That brings me, then, to question 3. If we could get the parent company to guarantee payment of the *Pretty Girl* account, we'd be safe in any case, wouldn't we? The consolidated statement is satisfactory and we'd have the combined assets for protection."

"We'd be safer, but not necessarily safe," he corrected.

V.G. pulled up a chair beside his desk. "Come around here. It's about time we had a look at that statement together."

Alice spread it on his desk.

Consolidated Statement

Cash	$ 10,000
Receivables	18,000
Inventory	46,000
	74,000
Fixtures	5,000
Real Estate	60,000
	$139,000
Accounts Payable	$ 25,000
Mortgage Payable	40,000
Capital Stock	70,000
Surplus	4,000
	$139,000
Sales for year	$160,000

(*Continued on Page 29*)

Quantity Discounts Hazardous

Supreme Court Makes Two Important Decisions

By
W. RANDOLPH MONTGOMERY
of Counsel

NATIONAL ASSOCIATION OF CREDIT MEN

Two interesting and important decisions interpreting the Robinson-Patman Act have recently been handed down by the United States Supreme Court.

The first of these decisions is entitled *Federal Trade Commission v. Cement Institute* (April 26, 1948). The case involved the legality of the use of a multiple basing point delivered price system by cement manufacturers. Under this system the cement manufacturers sold cement at uniform delivered prices at various basing points throughout the United States; such basing point in many cases being at a point distant from the place where the cement was actually manufactured. One of the questions decided by the court was whether or not the use of the multiple basing point delivered price system resulted in price discriminations which substantially lessened competition as prohibited by Section 2 of the Robinson-Patman Act.

The Section in question declares it to "be unlawful for any person engaged in commerce * * * either directly or indirectly to discriminate in price between different purchasers of commodities of like grade and quality * * * where the effect of such discrimination may be substantially to lessen competition or tend to create a monopoly in any line of commerce, or to injure, destroy or prevent competition with any person who either grants or knowingly receives the benefit of such discrimination or with customers of either of them * * *."

It further provides that proof of price discrimination (selling the same kind of goods cheaper to one purchaser than to another), makes out a prima facie case of violation, but permits the seller to rebut "the prima facie case thus made by showing that his lower price * * * was made in good faith to meet an equally low price of a competitor * * *."

Constitutes Discrimination

The Commission held that the varying *mill nets* received by respondents on sales between customers in different localities constituted discrimination in price between different purchasers within the meaning of the Robinson-Patman Act, and that the effect of this discrimination was the substantial lessening of competition between the respondents. The Circuit Court of Appeals for the Seventh Circuit had reversed the Commission on this point holding that the respondents' prices were unlawful insofar as they involved the collection of fictitious or phantom freight, but that prices involving only freight absorption came "within the good faith proviso of the Act."

It was contended before the Supreme Court by the respondents that the differences in their net returns from different sales in different localities are not price discriminations within the meaning of the Act, and that the differences in mill net were justified because made in good faith to meet an equally low price of a competitor.

The Supreme Court overruled these contentions and the decision of the Circuit Court of Appeals, and held that the adoption for sales purposes of any basing point pricing system necessarily results in an unlawful price discrimination, and that this is particularly true where the basing point price includes an item of unearned or phantom freight.

The court pointed out that the Act "permits a single company to sell one customer at a lower price than it sells to another if the price is 'made in good faith to meet an equally low price of competitor.' But this does not mean that Section 2(b) permits a seller to use a sales system which constantly results in his getting more money for like goods from some customers than he does from others. * * * The Act thus places emphasis on individual competitive situations, rather than upon a general system of competition."

The emphasis placed by the court upon the seller's "mill net" indicates very clearly that the court was sustaining (what the Commission has long contended), that no seller may establish a uniform delivered price without necessarily discriminating unlawfully as between purchasers.

In other words, the amount received by the seller at his mill for goods of like kind and quality must be the same to all purchasers wherever they are located. For example, sales may not be made at the

"It was the boss's idea to have his picture put on the clock - and it has stopped clock watching!"

same delivered price to customers located in Chicago and Kansas City, if the freight cost from the point of manufacture to Chicago is not the same as the freight cost to Kansas City, because in such case the seller is necessarily absorbing the difference in the cost of transportation to the two points, and is therefore selling at different prices in the two localities.

Morton Salt Case

On May 3, 1948, in a case involving the *Morton Salt Company*, the Supreme Court pointed out that in enacting the Robinson-Patman Act, Congress was especially concerned with protecting small businesses which were unable to buy in quantities, and sustained a cease and desist order issued against the company for violation of Section 2 of the Robinson-Patman Act.

The defendant, Morton Salt Company, made use of standard quantity discounts available to all purchasers on equal terms, and contended that the fact that the discounts could be availed of by all customers equally removed any element of discrimination.

The court held that theoretically their contention was correct but functionally not, for the reason that purchasers of small lots received a lower discount rate than purchasers of large lots, and thereby large buyers could secure a competitive advantage over small buyers solely because of the large buyers' quantity purchasing ability.

"The Robinson-Patman Act," the court said, "was passed to deprive a large buyer of such advantages except to the extent that a lower price could be justified by reason of a seller's diminished costs due to quantity, manufacture, delivery or sale, or by reason of the seller's good faith effort to meet a competitor's equally low price."

In order to establish discrimination in price, the court held that the Commission did not have to prove that the quantity discount differentials were not justified by the savings in cost; the burden of proving that the discounts represented only due allowance for difference in cost of selling or transportation rests on the respondent.

Nor is the Commission required to find that the discrimination in fact harmed competition, but only that there is a "reasonable possibility" that the discrimination "may" have such an effect. It is sufficient for the Commission to prove that the quantity discounts resulted in price differentials between competing purchasers sufficient to influence their resale price of salt, and the fact that the respondent's sales in small quantities is negligible in comparison with the total volume of its business is immaterial. The court said, "In enacting the Robinson-Patman Act, Congress was especially concerned with protecting small businesses which were unable to buy in quantities such as the merchants here who purchased in less than car-load lots."

As a result of this decision, quantity discounts cannot hereafter be safely allowed unless the seller is prepared to justify the discounts by proof that the full amount of the discount is based on actual savings in cost.

Discrimination in Foreign Trade

Need for Creditor Rights Before International Conferences

by KURT H. NADELMANN

Lecturer, University of Pennsylvania Law School

Early in 1947, at a public hearing on the Proposed Charter for an International Trade Organization, the Foreign Credit Interchange Bureau of the National Association of Credit Men urged the Department of State "to propose that the Charter of the International Trade Organization bind the subscribing nations to afford equal treatment to foreign and domestic creditors with reference to the collection of debts in general and in particular with reference to the laws and regulations obtaining in insolvency, bankruptcy, reorganization, or debtor relief proceedings."[1] As was then pointed out, Latin American countries still grant local creditors a right of priority of payment over creditors from abroad when a debtor is declared bankrupt within the country and abroad. A *Creditor Equality Clause,* properly drafted,[2] in the Charter of the ITO would have meant an end to such rules and the dangers resulting from them for American export trade. Under the rules now in force, American creditors who give open credit to customers in the countries involved, risk that the Latin American assets go to the local creditors alone in the case of bankruptcy of the debtor.

Clause Not Included

The Charter of the ITO as adopted at Havana in March of this year does not contain the *Creditor Equality Clause,* proposed not only by the FCIB, but also by other national organizations, such as the National Bankruptcy Conference[3] and the Commercial Law League of America.[4] So far as is known, no attempt was made at Havana from the American side to obtain inclusion of the clause in the Charter. It was no doubt difficult for our representatives to make the suggestion at this late stage, especially since the original draft for a Charter, prepared by the United States, had omitted to cover the subject. Anticipated opposition on the part of the block of "undeveloped countries" may also have played a rôle in deciding to avoid the issue at Havana.

The Havana Charter for the ITO contains in Article 11 a provision to the effect that the ITO may "formulate and promote the adoption of a general agreement or statement of principles regarding the conduct, practices and treatment of foreign investment." Should the Charter be ratified, efforts could thus be made within the ITO to include a *Creditor Equality Clause* in Agreement on Foreign Investment as envisaged in the Charter. Ratification of the Charter will take a long time. Argentina, one of the countries with the discriminatory rule, refused at Havana to sign the Charter. Even with an Agreement on Foreign Investment, and a *Creditor Equality Clause* in it, short-time commercial credit would still remain unprotected against local priority rules.

While the Havana Conference was in session, creditor discrimination was discussed at another Conference, the Fifth Conference of the Inter-American Bar Association, held in Lima in December 1947. A paper on the subject had been prepared from the American side.[5] In committee, the reporter, a lawyer from Peru, admitted the correctness of the American presentation, blaming nationalistic feelings of old date in the countries involved for the existence of the discriminatory rules. Efforts to obtain adoption of a resolution against creditor discrimination were in vain. Only an inoffensive resolution in favor of the unification of the law was passed.[6] The raising of the issue at Lima constitutes some progress, however, in that the countries concerned have been served notice, through their Bars, of the feelings about the subject in the United States.

Not Discussed at Bogota

The most recent Conference is the Ninth International Conference of American States, held at Bogotà a few weeks ago under dramatic circumstances. This governmental Conference had for consideration a draft for a Basic Agreement of Inter-American Economic Cooperation prepared by the Inter-American Economic and Social Council. While it contained a chapter on "Foreign Investment," the draft did not provide in any way for protection against creditor discrimination. The "Economic Convention

[1] CREDIT AND FINANCIAL MANAGEMENT, Vol. 49, No. 4, p. 28 (April 1947).

[2] Cf. Nadelmann, "Legal Treatment of Foreign and Domestic Creditors," in *Law & Contemporary Problems,* Vol. 11, pp. 696, 710 (1946).

[3] *Department of State Bulletin,* Vol. 16, p. 724 (1947).

[4] *Commercial Law Journal,* Vol. 52, p. 89, and *Journal of the National Association of Referees in Bankruptcy,* Vol. 21, p. 127 (1947).

[5] Nadelmann, "Concurrent Bankuptcies and Creditor Equality in the Americas," in *University of Pennsylvania Law Review,* Vol. 96, p. 171 (1947), and *Journal of the National Association of Referees in Bankruptcy,* Vol. 22, p. 51 (1948).

[6] Resolution XV-C-6, text in the Proceedings of the Conference and in *Revista Peruana de Derecho Internacional,* 1948.

of Bogotà," signed after great difficulties at the closing session of the Conference, does not go much farther than the draft, except that Article 22 states: "The States recognize that the flow of international capital investment is stimulated to the extent to which the States offer to nationals of other countries opportunities for investment and security for present and future investment."

Another Discussion Coming

Further discussion of the economic issues, among them short-term commercial credit requirements, has been reserved for the Inter-American Economic Conference to be held in Buenos Aires this Fall. At Havana, as well as at Bogotà, numerous Latin American countries asked that economic help be extended to them by the United States. The same request will no doubt be made in Buenos Aires. Thus a unique occasion arises to obtain settlement of the creditor discrimination issue. Abandonment of all rules giving local creditors a right of priority of payment over creditors from abroad should be made a condition for any new aid on the part of the United States. It would indeed be unjustifiable to pour any more money into countries which do not give our creditors a fair break.

Past experience has shown that the Departments in Washington are slow in giving the topic of creditor discrimination in Latin America the attention it deserves and requires from the viewpoint of American business interests. The discriminatory rules would long have disappeared had the point been raised in the financial dealings with the countries concerned. No justification exists for the rules, in law or in morals. The legal literature of the leading Latin American countries shows that the great majority of the authors now openly criticize the local priority rules.[7] Probably, the governments concerned feel that they need not act as long as the Government of the United States does not express dissatisfaction with the present status of affairs. The key to the solution of the problem thus appears to be in Washington, rather than abroad. The representatives of American business interests will do well if they keep this in mind in preparing for the coming Conference.

[7] References in the Lima paper, supra, note (5).

Problem Parents

(*Continued from Page 25*)

Alice preened her knowledge of statement analysis with a rapid-fire survey. "Cash and receivables cover current debt. Inventory in pretty fair relation to working capital. Merchandise turn-over satisfactory. Fixed assets a bit heavy compared to capital, but not seriously so."

"M-m," said Vesty, "it's good enough. But sales seem to be a trifle sluggish for this type of business. Not much more than three times working capital and twice the net worth. And less than four times the inventory. Nevertheless it would be an acceptable financial condition with payments running a bit slow perhaps, *if* it represented a single unit. But, as a consolidated statement . . ." he paused, pulled open a drawer and reached for pencil and scratch pad.

"Look!" he said, "I can show you in answer to your question number one, that either one of those two operating companies could be in an unhealthy state—yes, maybe both of them."

"Both? I can hardly believe that's possible! But show me."

"We will break this consolidated statement into three hypothetical ones. Mind you, now, I'm not attempting to project the actual statements of these companies. Obviously we can't possibly guess how these asset and liabilities are actually distributed. But we can set up three possible statements that *could* be the components of such a consolidated picture. And I think they will answer your penetrating questions, my good Friday."

"Let's go."

"First of all, we know that capital stock is $70,000. That's the parent company stock." He entered it on the right side of his embryo statement.

"Well," Alice objected, "isn't part of that the capital stock of the two subsidiaries?"

"Oh, no! The stock of subsidiaries never shows on consolidated statements. What you do in consolidation is to begin with the parent-company statement—remember that would show investment or stock in subsidiaries as an asset—and then you substitute for that asset the subsidiaries' assets and liabilities which it represents. Then you cancel out inter-company indebtedness and you have a full-fledged, consolidated, tell-you-nothing-about-components, statement."

"So," he continued, turning back to the report and setting down figures in statement form as he spoke, "you know that the parent company has at least these assets and liabilities:

Real Estate	$ 60,000
Stock in subsidiaries	?
Mortgage	$ 40,000
Capital Stock	70,000

Now, as the kids say, pl'ike the parent company's only other asset is cash. We'll make it $8,000. And we will assume that the surplus of the consolidated statement is parent-company surplus. Now we have:

(*Continued on Page 31*)

Keep Your Eye on the Ball

Old Accounts Present Greater Problems Than New

by WARRICK L. McELVANEY
Credit Manager
HUNT FOODS, INC.
Hayward, California

Much has been said and written during the past year concerning the period of transition through which we are passing. Because credit is so delicately attuned to business conditions generally, credit executives are keenly aware of this changed tempo of the times and for the most part are alert to the dangers of increasingly greater credit risks, tighter money, inventories top-heavy with high priced merchandise, delinquent accounts, higher loss ratios and a train of attendant evils from the standpoint of both credit and management.

Unparalleled Opportunity

I see in this condition an unparalleled opportunity, not to say compulsion, for constructive credit work and a greater contribution by credit men to the stability and liquidity of business than has ever been privileged them before. In the lush years of ready money and shortages in practically every line of merchandise, when credit risk was minimized or altogether lacking and collection but a matter of rendering statements of account, it was the perfectly natural thing to fall into ways of complacency and become absorbed gradually by the routine and easy technique engendered by the times. Even though we now realize that "the honeymoon is over" it may be more difficult than we contemplate to get back into harness and really go to work again. Indeed many of us are finding it so and habits of the easy years are hard to break away from.

This is going over old ground but it strikes me as timely that we look the situation squarely in the face and engage in a bit of self-analysis. It is well to remember too that many younger men and women have come into the credit fraternity during the past few years. Without previous experience they have taken their cue from those of us longer in the field and have absorbed much of our technique and formulated their opinions and judgment from the bias of our viewpoint. It should have a salutary effect, therefore, upon all of us to briefly review the facts.

Current Accounts Need Consideration

In this discussion I am thinking more particularly of business on the books with a guiding factor of ledger experience rather than new accounts. In the latter case, with accurate information from sources readily available through the Credit Interchange Bureau and elsewhere, the sign posts are fairly evident and such accounts either are or are not desirable and that determination resolves itself into a matter of experience and sound judgment that requires no further comment. However, in the case of business already on the books a great deal more is required than the making of yes or no decisions.

It is increasingly apparent to all credit grantors that the status of many accounts is undergoing change and sometimes quite abruptly. Good accounts are slowing down in liquidation, some are becoming delinquent, some customers are in obvious financial difficulty, and some accounts will inevitably have to be written off eventually. When collection ratios are being maintained at fairly constant levels and sales volume remains reasonably satisfactory to management the tendency is to keep an eye on the score and take no additional risks. The easy way to deal with such accounts, of course, is to immediately curtail further credit, enlist the aid of the Adjustment Bureau or turn them over to the Legal Department.

Ferret Out Causes

It is at this point that the opportunity is offered for really constructive effort in credit work. There are many underlying factors that permit accounts to reach this unsatisfactory stage and to get at these causes is the initial step toward application of effectual corrective measures. In the first place the credit executive knows the essential facts concerning the customer's business, having reviewed them at the time of the credit application and he has kept in touch with important subsequent changes through periodic Bureau reports. He frequently knows one or more members of the customer's firm and has at least some ledger experience as an indication of paying habits.

There are many angles of approach in situations of this kind, and past performance should be a guide to those most effective. Sometimes friendly cooperative letters open the way to a workable and satisfactory plan of orderly liquidation. More frequently a personal visit in the spirit of helpfulness establishes that relationship that is conducive to mutual understanding and agreement. When you sit down in a man's office and frankly discuss his problem, see something of his environment and get an idea of his method of doing business and make a sincere effort to point a way out of his difficulty it is frequently pos-

sible to hit upon a plan that is workable from his standpoint and reasonably satisfactory from yours. You get your money, though sometimes delayed, and he keeps his self-respect and his respect for you and your firm. More important still you have retained his good will and left the door wide open for future transactions and additional business.

Gratifying Experience

Most credit executives have had the very gratifying experience of nursing along a doubtful account, counselling with the debtor, frankly discussing his difficulties, offering advice and suggestions and making concessions where warranted, and seeing the account eventually grow into a vigorous and profitable one. There is an immense and solid satisfaction in helping a customer over the tough spots where it can be done without serious detriment or loss to the interests one represents and nearly always a way can be found to accomplish that end.

The point I make is that it requires constructive thought, real effort, the expenditure of some time and withal a cooperative and friendly spirit to "pull the bad ones out of the fire", retain customer good will and put new business on the books. Just remember that so long as your customers stay in business they are going to continue buying your line of merchandise. When you close the door to future transactions by a too hasty decision to close an account or curtail credit without a sincere effort to restore it to a sound and satisfactory basis, you invite competitors to help themselves to your potential profit. I am not advocating a loose credit policy or the taking of undue risks and of course there are some accounts and some customers that are beyond the pale. Here again experience and sound judgment dictate the wise course to pursue.

Importance of Personal Contact

I would like to digress at this point to stress the importance of personal contact in credit work. I know the answer to that one too! We become engrossed in our daily tasks, the volume of work snows us under, we have no time for visiting customers, virtually chained to our desks, etc. Nevertheless the successful credit executive is the one who gets around at frequent intervals, meets his customers on their home grounds, learns something of their business, invites their confidence and establishes a cordial relationship that stands him in good stead when occasion requires.

I don't mean either that such calls should only be made when you have a definite purpose in view; when you have to stalk in with blood in your eye and demand payment of an account, or else. Make contacts in fair weather when you've nothing more serious to discuss than business generally and the baseball score. It's much easier to do business with a man you know and who knows you by personal and frequent contact. The credit man who counts his customers as his friends is regularly collecting his accounts while some of his colleagues are consulting attorneys about lawsuits.

Management is becoming increasingly aware of the value to business of this type of activity on the part of credit representatives and is encouraging it to the point of easing up internal pressure by adequate personnel and equipment in the credit department to give the executives in charge more latitude in this important phase of their work.

Problem Parents

(*Continued from Page 29*)

Cash	$ 8,000
Real Estate	60,000
	$ 68,000
Stock in subsidiaries	?
	$114,000
Mortgage	$ 40,000
Capital Stock	70,000
Surplus	4,000
	$114,000

So-o-o," he finished his additions, "if these are all the assets and liabilities of our synthetically created parent-statement, it is obvious that the investment in subsidiaries is the difference between **$68,000** and **$114,000**."

He erased his question-mark after the item, *Stock in subsidiaries*, and inserted *$46,000*."

Alice suddenly saw light. "Then that **$46,000** combined. capital stock of subsidiaries becomes the starting point for their two statements. It's like opening up one of those nests of different sized boxes all inside a big box."

"First we will see what the subsidiary statements would look like if assets and liabilities were divided evenly between the two operating companies, a situation of course unlikely, but the method will serve a purpose. Cash on the combined statement is **$10,000.** Of that, **$8,000** is in the parent company, leaving **$2,000** to be divided between the subsidiaries. Receivables, inventory, payables, and fixtures we will also split two ways."

Vesty set them down in statement form. "We'll call them Company A and Company B, so you won't fool yourself into thinking we have concocted actual statements of Pretty Girl and—what's the other one?"

"Perfect Lady."

"Well, here they are."

Company A
(Company B, ditto)

Cash	$ 1,000
Receivables	9,000
Inventory	23,000
	$ 33,000
Fixtures	2,500
	$ 35,500
Payables	$ 12,500
Capital Stock	23,000
	$ 35,500
Sales	$ 80,000

"Now you have some less favorable relationships than those in the consolidated statement."

"Yes," Alice agreed. "Inventory is in excess of working capital, and cash and receivables no longer cover current debt. It's that **$8,000** the parent company gobbled up that puts the subsidiaries in that fix."

"Right! But not necessarily 'gobbled.' We'll go into that subject later."

This particular episode in the career of Vesty Gates was too long to be included in its entirety. It will be continued in the July issue of Credit and Financial Management.

A MESSAGE *from* President Fernald

June 3, 1948

DEAR MEMBERS:

With pride and humility, I have accepted the responsibility of guiding N.A.C.M. during the year that began with the Congress at Cleveland. Needless to say, I am extremely grateful to receive this high honor, and I shall make every effort to justify the confidence so expressed.

The degree to which this Administration is successful will be measured by the progress of the Credit Profession, based upon the planning and intelligent application of sound principles by your elected Officers and Directors, by your Staff and by each Member.

In order that each Member may be kept informed of activities and developments, this page will be devoted each month to a summary of features and functions of the National Association of Credit Men.

Charles E. Fernald

President, National Association of Credit Men

For Your Information: To date the following have been named Chairmen of N.A.C.M. Committees for the year 1948-49:

Adjustment Bureaus:	GEORGE H. NIPPERT, The Procter & Gamble Distributing Co., Chicago, Ill.
Budget:	C. (SHAD) CALLAWAY, JR., Crystal Springs Bleachery, Chicamauga, Ga.
Collection Bureaus:	VICTOR C. EGGERDING, Gaylord Container Corp., St. Louis, Mo.
Credit Women's Executive:	LUCY G. KILLMER, Guarantee Specialty Mfg. Co., Cleveland, O.
Fraud Prevention:	EARL N. FELIO, Colgate-Palmolive-Peet Co., Jersey City, N. J.
Insurance:	FRANK C. KNAPP, Endicott-Johnson Corp., Endicott, N. Y.
Legislative:	PAUL J. VIALL, The Chattanooga Medicine Co., Chattanooga, Tenn.
Membership:	L. D. DUNCAN, General Credit Manager, National Distillers Products Corp., New York, N. Y.
National Credit Interchange Board of Governors (Elected):	ROBERT P. DEAN, Esso Standard Oil Company, New York, N. Y.
Publications:	GUS C. KLIPPEL, The Van Camp Hardware & Iron Co., Indianapolis, Ind.

(Other National Committee Chairmen and personnel will be announced in the July issue of Credit and Financial Management)

OFF TO A GOOD START

E. B. MORAN, *Membership Promotion Director,* reports a net gain for May of 144, making our membership total 29,057 as of June 1st.

Over 2,000 at 1948 Convention

52nd Annual Credit Congress Voted A Complete Success

Weather Man Provides Balmy Climate May 16 As Delegates Arrive

Cleveland: Over 2,000 credit executives, men and women, converged on the city of Cleveland on May 16th to attend the 52nd annual Credit Congress. The day was warm and balmy without being hot or muggy and continued that way till late in the evening when the heavens opened and the rains came and wind beat vehemently upon anyone who was unfortunate enough to be out of doors. However, the weather finished its little fling quite soon and throughout the conference was most cooperative.

Registration opened at one o'clock and continued throughout the day. Entertainment opened at two o'clock and was almost continuous too. The credit women started the ball rolling with a reception for visiting credit women. At 3:30 the hostess committee held a reception and tea for all visitors and their wives which lasted till 6 p.m. In the evening there was a concert in the grand ballroom of the Hotel Statler, Credit Congress headquarters, given by the Shaker Heights A Cappella choir.

So ended Sunday.

Monday was bright and clear, the rain having expended itself during the night, and the delegates buckled down to the business of the convention.

The first session opened at 9:30 with the call to order by F. J. Bitterman, Eberhard Manufacturing Company, General Convention Chairman, after which the Rev. Oscar T. Olson, of the Epworth-Euclid Methodist Church, read the invocation.

Addresses of welcome were then delivered by Governor Thomas J. Herbert for the State of Ohio, by Mayor Thomas A. Burke for the city of Cleveland and by Evan H. Davies, Cleveland Electric Illuminating Company, President of the Cleveland Association of Credit Men, for the Association.

Past National President, Edward L. Blaine, Jr., Vice-President, Peoples National Bank of Washington replied to the addresses of welcome and was followed by National President Charles B. Rairdon, who introduced the various guests.

CHARLES E. FERNALD

Edwin B. Moran, Manager, Central Division of the National Association of Credit Men, then stepped forth and produced thirty stars of the credit world in the production "It's Your Association—Do You Use It?" The morning closed with the keynote address, "Balanced Objectives," delivered by Henry H. Heimann, Executive Manager of National Association of Credit Men, the text of which can be found on page 4 of this issue.

The afternoon session opened with an address, "Current Trends in Business," by Russell Weisman, chief editorial writer for the Cleveland *Plain Dealer* and Professor of Business and Economics at Western Reserve University.

Next on the program was Merryle Stanley Rukeyser, lecturer, journalist, economist and author, whose column on business is syndicated throughout the country. The subject was "What's Ahead for the U. S. A.?"

Finally, the afternoon program was brought to a close with an address by Will O'Neill, president, General Tire and Rubber Company, Akron, Ohio, on "Credit Helps the Little Business Men Build America."

Monday evening is traditionally the time for regional dinners. This year a

(Continued on Page 34)

Charles Fernald Is New President

Philadelphia Choice Unopposed in Ballot For Highest Office

Charles E. Fernald, General Manager and Treasurer of the Marine Transportation Corporation of Philadelphia and President of Fernald & Co., was chosen as the National President of the National Association of Credit Men at its 52nd annual convention in Cleveland on Thursday morning, May 20th.

Camilo Rodriguez, Assistant Treasurer and Secretary of the Davol Rubber Company, Providence, R. I., was chosen Vice-President, representing the Eastern Division.

Edward Ronnau, Assistant Vice-President and General Credit Manager of the Cook Paint & Varnish Company, Kansas City, was elected Vice-President, representing the Central Division.

Arthur R. Wilson, Secretary-Treasurer of the Auto Equipment Company, Denver, Colo., was elected Vice-President, representing the Western Division.

New members of the National Board of Directors were elected as follows: E. William Lane, American Screw Co., Providence, R. I.; Robert Young, Bethlehem Steel Company, Bethlehem, Pa.; Arthur L. Franklin, Pittsburgh Plate Glass Co., Baltimore, Md.; Lester C. Scott, E. L. Bruce Co., Memphis, Tenn.; C. W. Cayten, General Tire & Rubber Co., Dallas, Texas; Ross J. Ulman, Tootle Dry Goods Co., Omaha, Nebr.; Harold L. Cummings, Westinghouse Electric Supply Co., St. Paul, Minn.; Harold H. Gloe, Morrison-Merrill & Co., Salt Lake City, Utah; A. J. Sutherland, Security, Trust & Savings Bank, San Diego, Calif.; Carl O. Panks, Tacoma Feed Co., Tacoma, Washington, and E. M. Shapiro, California Packing Corp., San Francisco, Calif.

The new directors and officers were installed at the closing session of the convention on Thursday morning, May 20th, with considerable pageantry under the direction of Frederick H. Schrop, convention director.

The first meeting of the new National Directors and Officers, together with the hold-over Directors was held on Thurs-

day afternoon at the Pine Room at the Statler Hotel. At this meeting a number of matters affecting business affairs of the National Association of Credit Men were discussed.

The new President, Charles E. Fernald, was elected a National Director in 1944 and Vice-President, Eastern Division, at the Credit Congres in New York City in 1947. He had also served as a member of National Committees and during the past year was chairman of the budget committee of the National Board.

Camilo Rodriguez was a National Director in 1942 and during his term of office had served as Chairman of Adjustment & Collection Bureau of the National Committees.

Edward N. Ronnau, the new Vice-President in the Central Division, was elected a member of the National Board in 1943, and has been quite active in all Association affairs in the Central Division for the past 4 years.

A. R. Wilson of Denver, served on the National Board from 1932 to 1935, and has been quite active in Association matters in the Western Division since his retirement from the National Board.

Convention

(Continued from Page 33)

record number of nine regional dinners were held, ten in fact including the Boston Association dinner, which was held on the Sunday evening. Groups met from Chicago, the Southeastern Division, Milwaukee, Detroit, the Eighth District, The Eastern Division, the Western Division, the Ohio Valley Region, and Philadelphia.

Monday night is also traditionally the time for the President's Reception and Ball, and this year's event was no less brilliant than the ones that had gone before it.

The week commencing May 17th was designated World Trade Week throughout the country. Accordingly, Tuesday, May 18th, had an international flavor throughout.

After a brief address by Past President Paul W. Miller, the subject, "A United Nations World," was discussed by Chester S. Williams, Public Liaison Officer, United States Mission to the United Nations.

He was immediately followed by Eric Wyndham-White, Secretary, General, International Trade Organization, Interim Group, and E. I. Bernstein, Director of Research, International Monetary Fund, who discussed the partnership of the I.T.O. and the Fund in the furtherance of world trade.

Immediately following the morning session, the Annual Foreign Trade Luncheon was held under the Chairmanship of Robert L. Simpson, President of the C. T. Patterson Company, New Orleans, La. The speaker at the luncheon was William S. Swingle, executive vice-president of the National Foreign Trade Council and former Comptroller of National Association of Credit Men. His subject was "Current Foreign Trade Developments."

The afternoon was spent by the foreign traders in a Round Table discussion of Foreign Finance, Credit, Collections, and Exchange Problems, under the chairmanship of Alexander N. Gentes, Vice-President, Guaranty Trust Company of New York. The panel members were:

A. H. Ahlers, Owens-Illinois Glass Co.
A. J. Battista, Union Bank of Commerce
E. C. Butland, The Quaker Oats Company
F. E. Byrne, Cannon Mills, Inc.
O. C. Carlton, Central National Bank of Cleveland
L. D. Duncan, National Distillers Products Corp.
E. G. Figush, The Grabler Manufacturing Company
H. C. Fischer, The Cleveland Trust Company
A. E. Gotsch, The Stubebaker Export Corp.
J. C. Hajduk, Victor Chemical Works
G. A. Hankins, Goodyear Tire & Rubber Export Co.
O. A. Jackson, Continental Illinois National Bank and Trust Company
A. H. Mader, American Chicle Company
J. W. McHaffie, The National Bank of Cleveland
A. E. Reed, The W. S. Tyler Company
C. Rodriguez, Davol Rubber Company
J. L. Thompson, Yale & Towne Mfg. Company
E. B. Vickers, Link-Belt Company
H. B. Wheeler, The Weatherhead Company

Tuesday night was a big night in the Municipal Stadium. There the Cleveland Indians met the Philadelphia Athletics (and, incidentally, won handily). 1,500 seats were reserved for the visiting credit men and every seat was gobbled up long before the deadline.

After the game there was a fireworks display, of which the grand finale was the spelling out of "CREDIT MEN." Later the Cleveland Association arranged for a midnight snack for all comers. For those who could not obtain a ticket, or did not like baseball, or found the night a little too cool for baseball-watching, there was a dance, as there was on Wednesday night too.

The Credit Women held their annual business luncheon on Tuesday noon. The scholarship drawing took place and the lot fell to Atlanta, Ga.

Wednesday, May 19th, was as usual at Credit Congresses, industry group day. Delegates separated in thirty groups, taking over practically all the public rooms in three hotels, to discuss the particular problems of their particular industries. A new trend this year was toward a lesser number of featured speakers and a greater amount of time devoted to discussions in which the entire group could participate. It was a successful innovation.

The Credit Women assembled again on Wednesday evening to hold their annual banquet. Gladys Babson Hannaford spoke on the "Romance of Diamonds." The difference between the Tuesday luncheon and the Wednesday banquet is very noticeable. The luncheon is a closed meeting for members of credit women's groups exclusively at which the theme is plain business. At the banquet the credit women allow themselves to relax somewhat for a short time.

On Wednesday evening also the Zebras held their annual roundup.

Finally came Thursday. After the invocation by the Rt. Rev. Mgr. Albert Murphy, Clifford F. Hood, President of the American Steel & Wire Co., addressed the delegates on the subject "America's Number One Asset," an excerpt from which appears elsewhere in this issue. Following him Judge Florence E. Allen, the only woman to have been appointed to the U. S. Circuit Court of Appeals, spoke on "No Peace Without Justice."

Reports were then presented by the Credit Women's National Chairman, Marjorie Jennings, of Atlanta; by the National Membership Committee Chairman, Les Fishbeck of Los Angeles, and by Victor C. Eggerding of the Gaylord Container Corp., St. Louis, representing the National Legislative Committee Chairman, E. N. Ronnau, of Kansas City. Les Fishbeck also presented the membership trophies to the winners in the six classes.

Finally came the election of officers and directors, all of whom were elected unanimously. The convention adjourned at about one p.m.

Past Presidents Feted at Hartford Meeting

Hartford: Past Presidents' Night was celebrated by the Hartford Association of Credit Men on Wednesday, May 26th. The dinner meeting was preceded by an afternoon of golf.

Weihe Promoted by Fiberglas

Toledo: Elmer H. Weihe, retiring President of the Toledo Association of Credit Men, who has been with Owens-Corning Fiberglas Corp. and its predecessor companies for over 30 years, has been named assistant treasurer of the corporation.

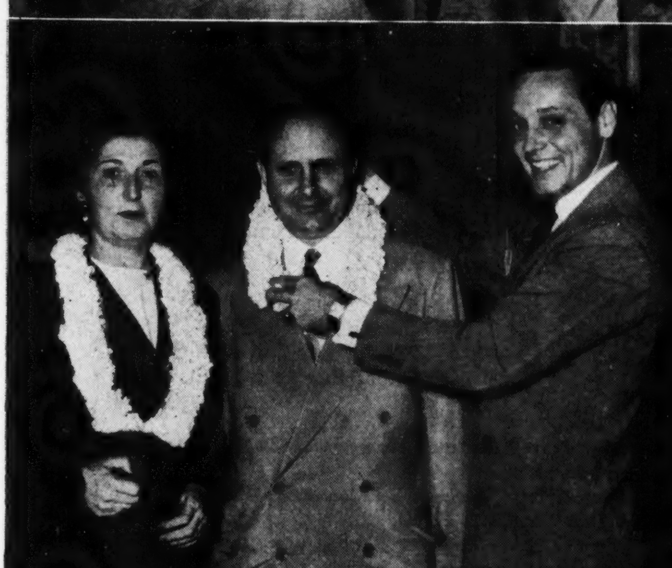
Pictures on the opposite page were taken during the closing minutes of the convention.

Top: Six of the new directors. Back row (l. to r.): Robert Young, Bethlehem Steel Co., and A. J. Sutherland, Security Trust & Savings Bank, San Diego. Front row: Charles W. Cayten, General Tire & Rubber Co., Dallas; Ross J. Ulman, Tottle Dry Goods Co., Omaha; Harold L. Cummings, Westinghouse Electric Supply Co., St. Paul; and Harold H. Gloe, Morrison, Merrill & Co., Salt Lake City.

Center: Newly elected President Fernald is escorted to the platform by Past Presidents Bruce Tritton and Fred Roth.

Bottom left: Hawaiian leis are draped over Mr. and Mrs. Fernald by Kenneth Block of Honolulu.

Bottom right: Vice-Presidents E. N. Ronnau, Arthur R. Wilson and Camilo Rodriguez are led to the dais.



OFFICERS and DIRECTORS
of the National Association of Credit Men

PRESIDENT

CHARLES E. FERNALD, Fernald and Company,
1737 Chestnut Street, Philadelphia 3, Pa.

VICE-PRESIDENTS

CAMILO RODRIGUEZ
Davol Rubber Company
69 Point St.
Providence 2, R. I.

EDWARD N. RONNAU
Cook Paint & Varnish Co.
P. O. Box 389
Kansas City, Mo.

ARTHUR R. WILSON
Auto Equipment Co.
14th & Lawrence Sts.
Denver 17, Colo.

DIRECTORS

CHARLES W. CAYTEN
General Tire & Rubber Co.
2500 Holmes St.
Dallas 1, Texas

M. J. CHESMAR
Hubbard & Company
6301 Butler St.
Pittsburgh 1, Pa.

HAROLD L. CUMMINGS
Westinghouse Elec. Supply Co.
253 East Fourth St.
St. Paul 1, Minn.

MISS MARY E. CURRAN
Jones, McDuffee & Stratton Corp.
640 Commonwealth Ave.
Boston 15, Mass.

OTTO E. DREUTZER
The Alms & Doepke Co.
Central Parkway
Cincinnati, Ohio

VICTOR C. EGGERDING
Gaylord Container Corp.
111 N. 4th St.
St. Louis 2, Mo.

EARL N. FELIO
Colgate-Palmolive-Peet Co.
105 Hudson St.
Jersey City 2, N. J.

ARTHUR L. FRANKLIN
Pittsburgh Plate Glass Co.
Guilford, Bath & Holliday Sts.
Baltimore, Md.

E. B. GAUSBY
Warner & Swasey Co.
5701 Carnegie Ave.
Cleveland 3, Ohio

HAROLD H. GLOE
Morrison-Merrill & Co.
First North & Third West Sts.
Salt Lake City 11, Utah

MISS BESS R. HAVENS
First National Bank
Chenango St.
Binghamton, N. Y.

T. B. HENDRICK
Collins, Dietz, Morris Co.
1 West Main St.
Oklahoma City 1, Okla.

FRANK A. HERBST
Herbst Shoe Mfg. Co.
2367 N. 29th St.
Milwaukee 10, Wis.

E. WILLIAM LANE
American Screw Company
21 Stevens Street
Providence, R. I.

GEORGE H. NIPPERT
The Procter & Gamble Distrib. Co.
53 West Jackson Blvd.
Chicago 4, Ill.

CARL O. PANKS
Tacoma Feed Company
524 Puyallup Ave.
Tacoma 1, Wash.

GRAHAM H. ROTHWEILER
834 Magie Avenue
Elizabeth, N. J.

LESTER C. SCOTT
E. L. Bruce Company
P. O. Box 397
Memphis 1, Tenn.

E. M. SHAPIRO
California Packing Corp.
101 California St.
San Francisco 19, Calif.

ARTHUR E. SLACK
I. W. Phillips & Co.
Morgan & Bell Sts.
Tampa, Florida

A. J. SUTHERLAND
Security, Trust & Savings Bank
904 Fifth Avenue
San Diego 12, Calif.

ROSS J. ULMAN
Tootle Dry Goods Co.
9th and Howard Sts.
Omaha 8, Nebr.

ROBERT YOUNG
Bethlehem Steel Co.
Bethlehem, Penna.

A. F. ZOELLNER
John K. Burch Co.
217-219 Division Ave. So.
Grand Rapids 2, Mich.

None of these gentlemen need any introduction. These informal shots were taken during the sessions.

Top left: President Rairdon makes his address.

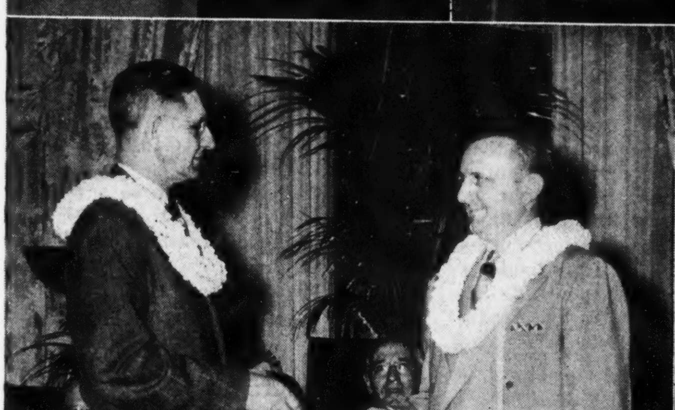
Top center: Past President Paul W. Miller reports on the Credit Research Foundation.

Top right: Executive Manager Henry H. Heimann delivers the keynote address.

Bottom left: President Rairdon passes the gavel of office to his successor Charles E. Fernald.

Bottom right: President Rairdon accepts the gavel from General Convention Chairman F. J. Bitterman during the opening session.




STATEMENT of POLICY

Of The National Association of Credit Men

at the 52nd Annual Credit Congress

CLEVELAND, OHIO

May 16–20, 1948

This, the 52nd Annual Credit Congress, having received from its Committee on Policy and Resolutions a statement of policy and recommendations declares it adopted, and urges the members of this Association to exert their influence in supporting these statements and resolutions, recognizing the responsibility and obligations of the Credit Profession to the National economy and the public welfare.

Limitation of Government Priority on Insolvency Claims

This Congress strongly re-affirms action taken by the 51st Credit Congress on May 15, 1947, petitioning the Federal Congress to give early and favorable consideration to the limiting of the United States Government priority claims in insolvency cases to a maximum period of one year. Likewise, we recommend that interest on tax claims shall not be required after the date of bankruptcy.

Tax Inequalities

In reaffirmation of action taken on June 25, 1946, and on May 15, 1947, by the 50th and 51st Credit Congresses respectively, we urge our Representatives and Senators in Congress to speed the correction of the inequitable and discriminatory tax exemption now enjoyed by those cooperatives which in their operations have gone beyond the original intent and purpose of the legislation and which compete with taxable business enterprises.

Economy in Federal Tax Administration

In view of the heavy fiscal demands constantly being made upon our Federal Government, we urge Congress to consider and effect means by which substantial economies may be made in the cost of the administration including a possible set pattern of tax returns thus eliminating unnecessary detail in checking and investigating Federal Income tax returns.

Encouragement to Venture Capital

In recognition of the urgent need to encourage the flow of venture capital into business and industry, we urge that the Federal Congress consider the elimination of duplication in taxing dividends.

Extension of Reciprocal Trade Agreements Act

We advocate renewal of the Reciprocal Trade Agreements Act which Act is due to expire June 12, because of its importance to both our domestic trade and our international relations with our world neighbors and because we consider it an integral part of the total pattern for world rehabilitation and stable economic relations.

Constitutional Revision

In recent years our Association has greatly expanded the scope of its activities and services and in the years ahead it will be confronted with new and varied demands. In order that its organizational structure and its procedures may be kept in line with the best and most effective Association practices, we recommend that the Board of Directors at its next meeting create a Committee commissioned to study and revise the Constitution of the National Association of Credit Men and to present its recommendations in time for consideration and action to the Credit Congress to be held in 1949.

Appointment of Committee on Change of Name

In the belief that the term Credit Men does not adequately describe the responsibilities and opportunities of the present-day credit management profession and to take into consideration the increasing role of credit women in the organization, it is recommended that study be given to the desirability of a change in the name of the Association. We recommend that the Board of Directors at its next meeting appoint a committee to conduct this study and to present its recommendations in time for consideration and action by the Credit Congress to be held in 1949.

Expanding Educational Facilities

Recognizing that the strength and continued vitality of our Association will be largely determined by the degree of interest and the extent of participation of its members and their associates in the Association's educational activities, we accordingly urge the Board of Directors and the National Committee on Education to effect means, including finances, by which the educational facilities and services may be expanded to a point where they may be available to the largest possible number of Association members.

Special Resolutions

To the United States Department of Commerce for the generous assistance and helpful cooperation afforded this Association in the collection and dissemination of information of value and interest to our members, and for the contributions made by members of the staff of the Department of Commerce to the program of this Credit Congress, we express our sincere appreciation and hearty thanks.

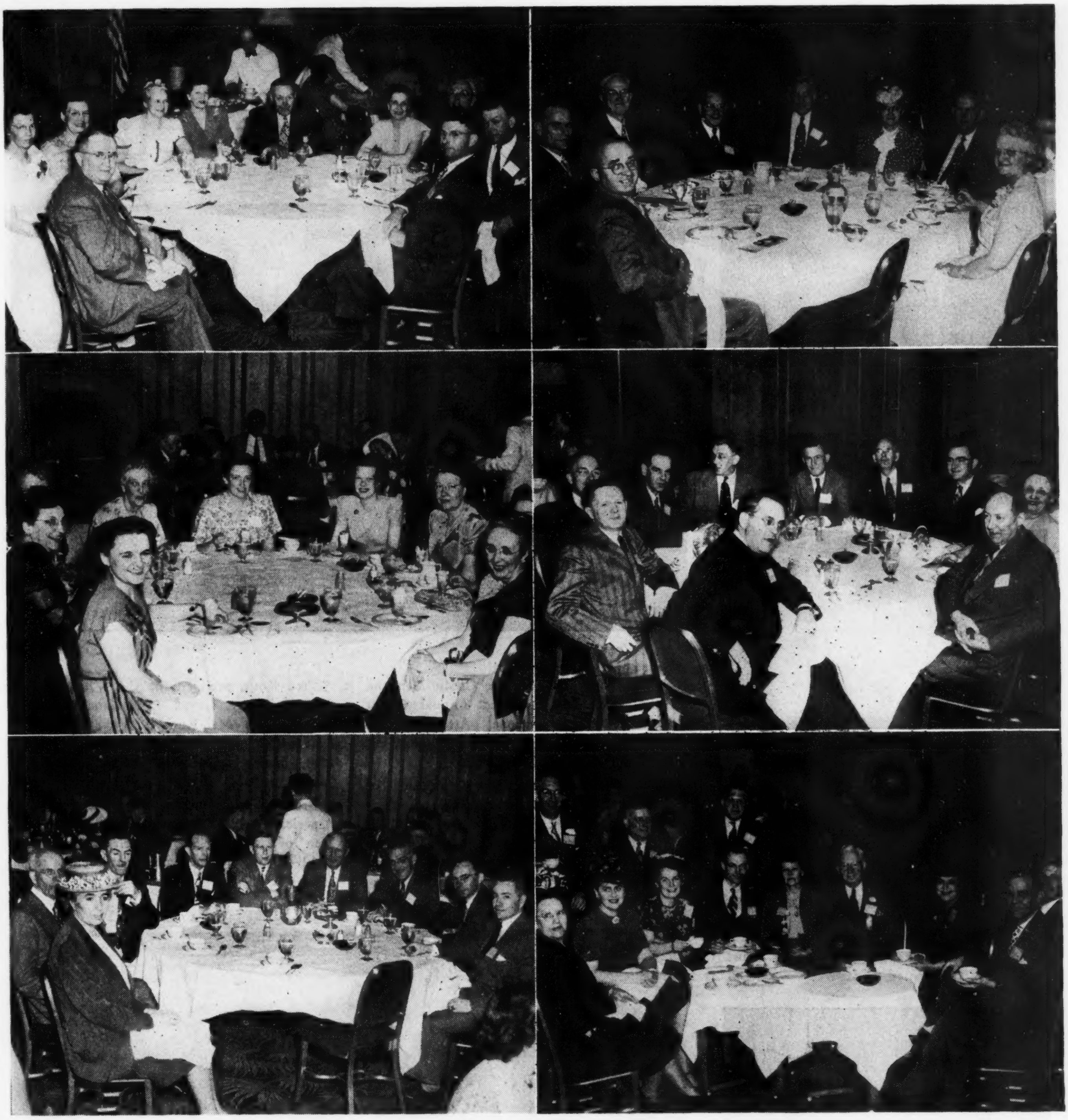
To the officers, the staff, the members and the various efficient committees of the Cleveland Association of Credit Men whose cordial hospitality, friendly and generous contributions to our entertainment, efficient planning and direction of the program, and courteous and helpful services have made this 52nd Annual Credit Congress a memorable event in our Association's history and in our personal experience, we express our most sincere appreciation and hearty thanks.

To the Ladies

To the ladies of Cleveland and especially to Mrs. Evan H. Davies, Chairman of the Hostess Committee; to her efficient co-chairmen Mrs. Kenneth S. Thomson, Mrs. E. B. Gausby and Mrs. Bruce R. Tritton; and to the members of their various committees, our hearty thanks are extended for the gracious and effective manner in which they have entertained the wives of the delegates to this Congress.

And the Press

To all the daily newspapers of Cleveland, the Associated Press, the United Press, the International News Service, to S. S. May and the *Daily News Record* of New York, and to all the daily newspapers for their excellent cooperation in presenting to the public pertinent news about the activities and ideals of our Association, we are deeply and most sincerely thankful.



Conventions would be incomplete without group meetings and regional dinners at which these random shots were taken.

NIC Fellows, Summer School Students Meet During Convention

During the 52nd Annual Credit Congress in Cleveland two luncheons were held which will almost certainly be annual affairs at future conventions.

On Monday, May 17th, the Fellows of the National Institute of Credit present at the convention met with Dr. Carl D. Smith to discuss the possibility of forming a society of fellows. Nothing definite was decided upon, largely because the group, though congenial, was not large enough to be truly representative of the opinion of the 687 fellows scattered throughout the country. However, it was a pleasant occasion much enjoyed by those present.

On Tuesday another very pleasant luncheon was held by the "Wisconsin Alumni Association." Nineteen students of last year's session of the Executives' School of Credit and Financial Management and their wives were present. The business at the luncheon consisted of precisely nothing except rehashing the summer school experiences. Another such luncheon will be held at Atlantic City next year.

Remington-Rand Official Featured at Terre Haute

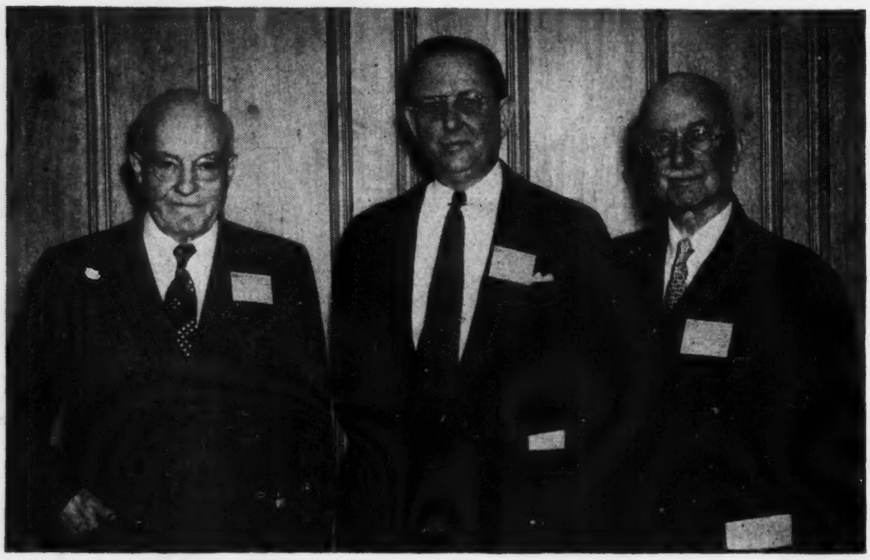
Terre Haute: William McCaslin, of Remington-Rand, Inc., was the speaker at the regular noon meeting of the Terre Haute Association of Credit Men on May 21st. He showed a moving picture on the Simplified Unit Invoice Accounting Plan.

Personalities at Cleveland

"POP" RICE
Only surviving charter member of the Cleveland Association, and one of the founders of the National (he was at the Toledo convention in 1896) drove up from Florida.

H. P. JAY
President of the Canadian Credit Men's Trust Association, represented Canada.

KENNETH BLOCK
of the Honolulu Association of Credit Men flew over to receive once again the membership plaque for his Association.

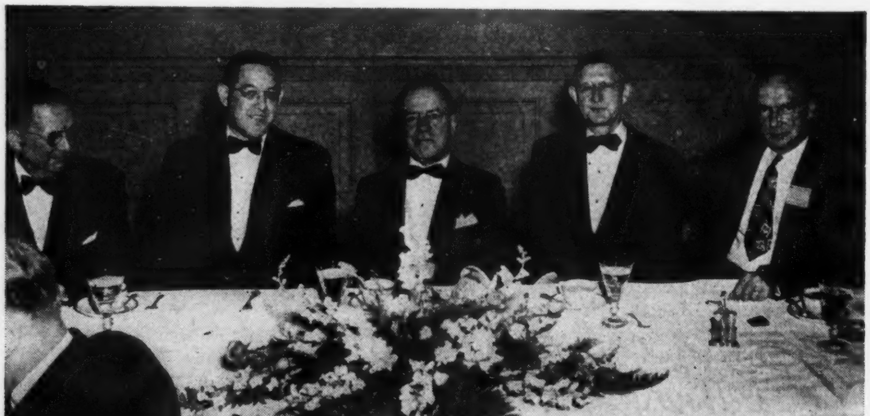


Among the 2,000 or more Credit Men and Women attending the 52nd Annual Credit Congress of the National Association of Credit Men, were three Past Presidents of the National Association from Ohio.

Silas J. Whitlock (right) was the leader of the National Association during the year 1917–18. The first National Convention for Mr. Whitlock was in 1901, also in Cleveland, with the headquarters in the Colonial Hotel. Mr. Whitlock is now retired.

Fred Roth, president of the Whitney-Roth Shoe Company, served as National President in 1934–35. Mr. Roth is also a Past President of the Cleveland Association of Credit Men, having served two terms during the years 1931–33.

Bruce R. Tritton, Vice-President of the American Stove Company, served the Credit Men of the Nation as their President in 1942–43 and was local president for one term, 1935–36.



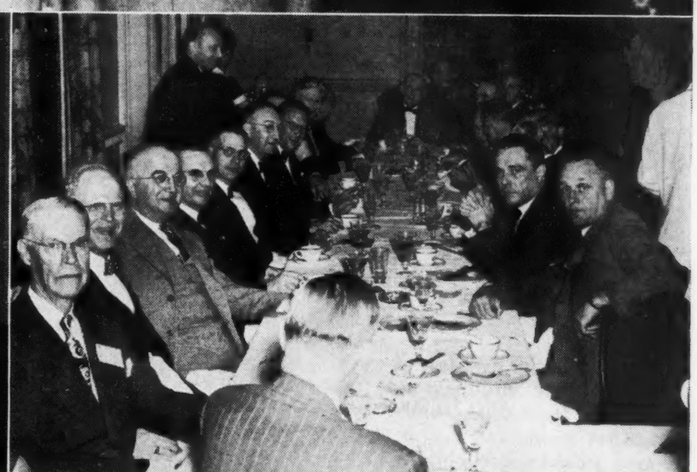
This picture was taken at the annual dinner for present and past National Officers and Directors and shows retiring President Rairdon and four of his predecessors. Left to right: Bruce Tritton of Cleveland; Robert L. Simpson of New Orleans; George Gruen of Cincinnati; Charles B. Rairdon of Toledo, and Paul Fielden of Worcester.

Pictures opposite show:

Top: Convention Director Frederick H. Schrop with chairmen of the various Cleveland committees.

Center: Two views of the annual officers' dinner.

Bottom: The annual roundup of the Royal Order of Zebras.



News of the Credit Women's Groups

Successful Year Again Reported By Credit Women

by MARJORIE JENNINGS
Atlanta Oak Flooring Company

(Chairman, National Credit Women's Executive Committee)

Marjorie Jennings

It is most gratifying to report the progress of our Groups during this year. From the individual annual reports of the Groups it is evident that those groups grow most rapidly which have a strong Association membership movement.

Each year, the reports indicate that a larger percentage of women are serving as members of their local boards, and taking their share of important committee work. Blanche Scanlon of St. Paul, Minn., and Annie Porter of Santa Fe, N. M., were appointed to the membership committee of the NACM and led their districts in the number of new members secured.

There are now 47 organized credit women's groups in the National Association of Credit Men with a total membership of over 2100. In the past year one new group was organized—in Lexington, Ky.

The progress of the credit women's groups in 1947-1948 has been outstanding. They are credited with securing 389 new NACM memberships, an increase of 64.8% over last year, and better than 24% of the new memberships during the year. 37 of the groups awarded 64 scholarships as against 58 last year.

To give some idea of the increase in achievement during the last three years, compare these figures:

Association Memberships Secured	
1945-1946	161
1946-1947	236
1947-1948	389

Scholarships Awarded	
1945-1946	30
1946-1947	58
1947-1948	64

Des Moines: Mary Eckart, Electric Supply Co., was installed as President of the Credit Women's Club of Des Moines at a dinner meeting on May 10th. Madeline Deskin, Loettcher & Burch Mfg. Co., was made Vice-President and Nellie Mae Strandberg, Register & Tribune Co., Secretary-Treasurer.

The board of directors of the Des Moines Credit Association were guests at the installation, which had a total attendance of 35 members and guests.

Jeanette Midgorden, retiring President was presented with a sterling silver compote and a pin with the Vigilantia emblem and a gold gavel attached.

Boston: The first summer social function of the Boston Credit Women's Group was held on May 4th. Forty members and friends attended the opening night of the Boston "Pops" concerts.

Omaha: The following are the new officers of the Credit Women's Group of Omaha:

Vivienne Foss, Brinn & Jansen Co., President; Grace Hansen, Dultmeier Sales Co., Vice-President; Dorathea De-Vries, Missouri Valley Machinery Co., Secretary; and Janet Miller, Searle Petroleum Co., Treasurer.

St. Louis: New officers have been elected by the St. Louis Credit Women's Club for the year 1948-1949. They are: Fanny K. Klein, President; Mrs. Quinty B. Mangrum, Vice-President; Margaret L. McCormick, Secretary; and Lucille M. Habel, Treasurer.

Duluth: The Credit Women's Club of the Duluth-Superior District Credit Association was organized in May, 1947, with a charter membership of eight. They wound up their first year of activity on May 10th, 1948, with a membership of twenty, a gain of 150% in one year.

At the last meeting of the season the following officers were elected:

President—Virginia Smith, Northern Drug Co.

Vice-President — Pauline Barossaret, Diamond Calk & Horseshoe Co.

Secretary — Mary Ready, Klearflax Linen Looms, Inc.

Treasurer—Elvera Christofferson, Northern Liquor Co.

A summer picnic is planned for June 28th at the Duluth Auto Club.

Les Fishbeck, National Membership Committee Chairman, presents the credit women's membership plaque to Anna M. Clayman, representing the New York Credit Women's Group.

Pictures on page 39 show some of the outstanding credit women who were at the convention. The top picture was taken during the annual banquet. On the top row left to right are: National Directors Mary Curran and Bess Havens; Mrs. Charles Rairdon; Blanche Scanlon; Lucy Killmer; Gladys Babson Hannaford, speaker of the evening; S. Jane White, and Marjorie Jennings. The picture below shows part of the speakers' table at the luncheon. Left to right: Rosa Basler of Cincinnati; Alice Keil, Cleveland; Marian McSherry, New York; Opal Stemmer, Oklahoma City; Anna May Dean, Bridgeport; Alta Robinson, Detroit, and Muriel Williams, Birmingham. Center left: Bess Havens and friends picture at the credit women's reception. Center right: Marjorie Jennings (right) Chairman of the Credit Women's Executive Committee and her three vice-chairmen. Left to right: Bess Marshall, Los Angeles; Marian McSherry, New York, and Lucy Killmer, Cleveland. The bottom picture shows some of the committee which entertained visiting credit women. Above is another view of the speakers' table at the luncheon. Left to right: Marie Ferguson, New York; S. Jane White, Cleveland; Mary King, San Francisco; Ruth Johnson, Chicago; Bess Marshall, Los Angeles; Lucy Killmer, Cleveland, and Marjorie Jennings, Atlanta.

Associations Elect New Officers

Year-End Brings Change in Leadership

Milwaukee: The Milwaukee Association of Credit Men has announced the new officers for 1948–1949.

O. H. Berryman, John Pritzlaff Hardware Co., is President; Charles F. Jones, Marine National Exchange Bank, is Vice-President; and T. C. Turner, Phoenix Hosiery Co., is Treasurer.

Several other associations have announced their new officers since the May issue went to press.

Pittsburgh
(Credit Association of Western Pennsylvania)
President—M. J. Chesmar, Hubbard & Co.
1st Vice-President—I. L. Hillman, Dravo Corp.
2nd Vice-President—J. S. Nichol, Harris Pump & Supply Co.
(All re-elected for a second term.)

Waterbury
President—John E. Bulger, Citizens and Manufacturers National Bank.
Vice-Presidents—Harrow M. Kindness, Plume & Atwood Mfg. Co., and Robert W. Brown, Mullite Refractories Co., Seymour, Conn.
Secretary—G. M. Sangster, Seth Thomas Clock Co., Thomaston, Conn.
Treasurer—A. P. Raeburn, M. J. Daly & Sons, Inc.
Councillor—George T. Busher, Waterbury Buckle Co.
State Director—Herbert G. Pinter, Chase Brass & Copper Co.

Terre Haute
President—Glen Foltz, F. C. Foltz Co.
Vice-President—Joseph Arney, Indiana State Bank
Treasurer—Cecil B. Reed, Terre Haute First National Bank
Secretary—Wanita Gilchrist, Mid-Continent Petroleum Co.
Councillor—W. R. Rector, Guarantee Roofing Co.

Buffalo
(Credit Men's Association of Western New York)
President—William P. Eyring, Liberty Bank of Buffalo
1st Vice-President—Edward K. Hirsch, Beals, McCarthy & Rogers, Inc.
2nd Vice-President—J. Kenneth Wall, Pilsbury Mills, Inc.

Grand Rapids
President—J. Howard Lee, Hayes Mfg. Corp.
1st Vice-President—John Oole, Metal Office Furniture Co.
2nd Vice-President—Roy Seeber, Wheeler-Van Label Co.
Treasurer—Harry C. Lundberg, Michigan National Bank.

New York
President—H. Parker Reader, Cannon Mills, Inc.
1st Vice-President—L. D. Duncan, National Distillers Products Corp.
Vice-Presidents—Fred J. O'Connor, H. A. Caesar & Co.; Fred W. Zander, U. S. Plywood Corp.; and R. G. Woodbury, Textile Banking Co.
Treasurer—E. W. Moon, Jr., Otis Elevator Co.

Newark
(New Jersey Association of Credit Executives)
President—S. Guernsey Jones, National Newark & Essex Banking Co.
1st Vice-President—M. C. Price, Sherwin-Williams Co.
2nd Vice-President—Robert T. Allen, Grammer, Dempsey & Hudson, Inc.
Treasurer—John F. Berg, National Oil & Supply Co.

Boston
President—Richard H. Davis, General Electric Supply Corp.
1st Vice-President—James N. Jones, Decatur & Hopkins Co.
2nd Vice-President—William C. Hall, Sylvania Electric Products, Inc.

Louisville
President—Herman M. Kessler, The Standard Printing Co.
Vice-President—Ballard & Ballard Co.

Toledo
President—J. A. Livi, Surface Combustion Corp.
1st Vice-President—T. M. Sherman, Toledo Steel Products Co.
2nd Vice-President—E. C. Michael, Toledo Plate & Window Glass Co.
Treasurer—L. V. Schiermyer, Ohio Citizens Trust Co.

Elmira
(New York-Pennsylvania Credit Association)
President—Charles J. Foehner, Hygeia Refrigerating Co.
Vice-President—S. Winifred Matteson, Brady Electric, Inc.
Treasurer—Donald J. Hogan, Kennedy Valve Mfg. Co.
Councillor—Ernest E. Bisbing, American-LaFrance-Foamite Corp.

St. Louis
President—A. E. Luther, National Surety Corporation
1st Vice-President—R. H. Groppe, G. S. Robins & Co.
2nd Vice-President—P. F. Buchert, Meyer Bros. Drug Co.

Omaha
President—J. C. Conley, Wright & Wilhelmy Co.
1st Vice-President—Joseph H. Freeman, Saxe-Freeman Co., Inc.
2nd Vice-President—Ernest R. Morgan, Armour & Co.

Detroit
President—A. H. McNabo, Acme White Lead & Color Works.
1st Vice-President—Paul E. Ewers, Michigan Consolidated Gas Co.
2nd Vice-President—A. A. Beste, Koenig Coal & Supply Co.
Treasurer—Clarence J. Kenney, Manufacturers National Bank.

Portland
President—W. E. Dame, Pacific Power & Light Co.
Vice-President—John S. Smith, Tidewater Associated Oil Co.
Treasurer—Matt S. Hughes, S. Birkenwald Co.

Wichita
President—Ord Mayo, Walling Sash & Door Co.
Vice-President—Mrs. M. W. Deissroth, Coleman Company, Inc.

Columbus
President—J. J. Vesper, The Walker T. Dickerson Co.
Vice-President—J. J. Steig, Tracy-Wells Co.
Treasurer—E. W. Hillman, Federal Glass Co.
Secretary—A. N. Sutherland, Mills Mutuals.

Obituary

C. Evan King

Binghamton: C. Evan King, National Director from 1940 to 1943, died on May 13th in City Hospital, Binghamton, of cerebral thrombosis. He was stricken on April 4th.

Mr. King, who retired as assistant secretary of General Aniline and Film Corporation, and Treasurer of Ansco, spent over 45 years with his firm. He was a past President of the Triple Cities Association of Credit Men.

Bert Foote

Cedar Rapids: Bert Foote, Credit Manager of Penick & Ford, Ltd., died on May 4th after a long illness. He had many friends in the food industry and was active for many years in food credit circles.

Plans Are Being Perfected For Ohio Conference

Toledo: The Ohio Regional Valley Conference is to be held at Toledo this year on Friday and Saturday, October 15th and 16th.

Members of the participating Associations met earlier in the year at Columbus for a preliminary discussion. Now the program for the first day has been definitely formulated.

Friday's session will open at 2 p.m. under the chairmanship of Lucy Killmer, Guaranty Specialty Manufacturing Co., Cleveland, Vice-Chairman of the Credit Women's National Executive Committee. T. G. MacGowen, Morgen Marketing Division, Firestone Tire & Rubber Co., and Chairman of the Marketing Committee, Committee for Economic Development, will give the opening address. His subject is "Marketing Today." Following his address there will be an open discussion period under the leadership of K. Calvin Sommer, Youngstown Sheet and Tube Co.

The second speaker for the afternoon will be G. S. Helwig, who will talk on the interpretation of financial statements. Mr. Helwig, of the firm of Rutten-Welling & Co., is a business consultant. This issue contains the last of a series of three articles written by him on statement analysis. In this case the discussion leader will be S. J. Schneider, Secretary-Manager of the Louisville Credit Men's Association.

Golf Season Starts Again in Detroit

Detroit: The annual golf program of the Detroit Association of Credit Men is now completely arranged. Three meets are planned: Tuesday, May 25, at the Orchard Lake Country Club; Tuesday, July 13, at the Meadowbrook Country Club, and Tuesday, September 14, at the Lockmoor Club.

Los Angeles: R. D. Roberts, Union Oil Co., was the speaker at the election meeting of the Los Angeles Credit Women's Group. Marie Lawrence, Wilson Paper Company, was elected President. Others elected were Agnes Holmes, A. R. Maas Chemical Company, Vice-President; Lorna Millan, Magneto Sales & Service Company, Treasurer, and Charlotte Shaw, Los Angeles Credit Managers' Association, Secretary.

Houston: The Wholesale Credit Women's Club of Houston held their annual "Bosses' Night" party on April 30th. E. M. Truitt, Manager of the Credit Bureau of Greater Houston, spoke on "The Boss as a Human Being."

Rochester Honors Past Presidents At Annual Meeting

Rochester: 28 past presidents of the Rochester Association of Credit Men were guests of honor at the 52nd annual meeting on May 12th.

L. R. Blanchard, general executive editor of the Gannett Newspapers, addressed the Association on "Our European Frontier." He reported on his observations and experiences during a recent tour of Europe.

New officers were elected at the meeting as follows: President, E. Richard Markin, Chapman-Owen Co. Inc.; Vice-President, Sigurd Tranmal, Distillation Products, Inc.; 2nd Vice-President, Lester G. Weighill, Joseph Harris, Inc.; and Treasurer, Joseph M. Schoen, Central Trust Co.

MEMBERSHIP PROGRESS REPORT

MAY 1, 1948 to MAY 31, 1948

	Net Gain	Total May 31	Percent
CLASS AA			
San Francisco ..	12	1246	100.97
Chicago	13	1948	100.67
Louisville	4	1203	100.34
CLASS A			
Rochester	11	568	101.97
St. Louis	12	765	101.60
Boston	8	538	101.50
CLASS B			
Grand Rapids ..	6	417	101.45
Oakland	5	387	101.05
Atlanta	2	253	100.79
CLASS C			
Honolulu	5	201	102.55
Lexington	3	238	101.73
Birmingham ...	3	210	101.44
CLASS D			
El Paso	9	130	107.43
Washington ...	10	147	107.29
Albuquerque ..	3	111	102.78
CLASS E			
Little Rock	3	50	106.38
Evansville	2	55	103.83
Phoenix	2	72	102.85
CLASS F			
Lewiston	1	21	105.00
Quincy	1	27	103.84
Springfield	1	35	102.94

Bridgeport Will Be the Scene of N. E. Conference

Bridgeport: The New England Credit Conference will be held this year on October 28th, at the Hotel Stratfield in Bridgeport.

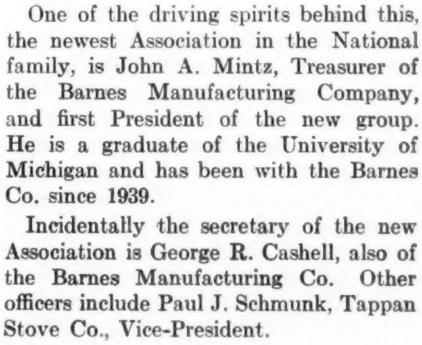
Youngest Credit Association Is Growing Rapidly

John A. Mintz

Mansfield, O.: In January of this year 18 credit grantors of Mansfield decided that Mansfield was a big enough market to merit a credit association of its own. Accordingly they set out to obtain other members, and on April 1st, when their membership had reached 25, they became officially affiliated with the National Association of Credit Men with the title, "National Association of Credit Men, North Central Ohio Division." 30 days later their membership had reached 34.

One of the driving spirits behind this, the newest Association in the National family, is John A. Mintz, Treasurer of the Barnes Manufacturing Company, and first President of the new group. He is a graduate of the University of Michigan and has been with the Barnes Co. since 1939.

Incidentally the secretary of the new Association is George R. Cashell, also of the Barnes Manufacturing Co. Other officers include Paul J. Schmunk, Tappan Stove Co., Vice-President.



"Whom, Grisby? Against whom in the office do you bear this grudge?"

Lexington Association More Than Doubles Its Membership in 5 Years

Arch G. Mainous

Lexington, Ky.: In the last five years the membership of the Lexington Association of Credit Men has increased by 267% to the present all-time high of 235.

This is a creditable figure indeed, and its attainment is due in large part to the efforts of the present President, Arch G. Mainous, President of the Citizens Bank & Trust Company, which he joined as assistant cashier in 1931.

Mr. Mainous has been in the banking business ever since he graduated from college in 1917, and among his other activities is a member of the executive council of the American Bankers' Association.

Financial Statements

(*Continued from Page 12*)

more attention be given to the operating accounts of companies with whom we do business, because here we invariably find the answer to a great many of our questions.

The failure of companies to produce satisfactory operating profits or the failure to make necessary retrenchments when volume of business declines, or to operate to sound budgetary standards, too frequently results in the writing off as bad debts accounts which might have been closed out before they became a loss.

The same plans and methods which serve to reorganize and reactivate companies who seek management aid, can find a definite counterpart in your work in the credit field.

NACM and 60a

(*Continued from Page 8*)

drawing of which our Association had an honorable part, has finally clarified the matter of secret transfers to the satisfaction and agreement of the Supreme Court, let us not again throw the law into uncertainty and turmoil by the passage of this amendment, the effects of which are incomprehensible to the lay business mind and vague and uncertain in the minds of experts on bankruptcy legislation. Only if an accompanying amendment requiring recordation of intent to assign accounts receivable is adopted can we feel certain that unsecured creditors will receive their just dues and secret transfers to their detriment be once and for all done away with, as so long has been the intent of the Congress of the United States.

Problem of Fixtures

(*Continued from Page 23*)

would take precedence and priority over any subsequent conveyance by mortgage or sale of the real estate. And this is a safe course only as to *subsequent* mortgage; for if it happens that there is already a *prior* mortgagee, such mortgage will entitle him to take over the machinery in the event he forecloses. *General Heat & Appliance Co. v. Goodwin,* 316 Mass. 3. (See May 1947 *Credit & Financial Management,* where this case was discussed by author). A cautious vendor of machinery of this nature, therefore, would endeavor to secure from a prior mortgagee assent that the vendor may remove the machinery as personalty on default or that the machinery is not to be covered by the mortgage to the first mortgagee. And yet where there is such a prior mortgagee, who is willing to yield in such respect, the vendor who takes a mortgage on the real estate, gets only a second mortgage as to the premises and this would hardly be a desirable thing. There are other risks to be considered likewise; if, for example, after a prior mortgagee gave such assent, he might assign his own mortgage to some third person without notice of the assent, again the assent would be meaningless unless there is some way of recording such agreement in the registry of deeds so as to be binding to the same extent as deeds and other conveyances. The reader is evidently persuaded that this whole problem is indeed vexing.

In Massachusetts there is a statute which has a limited application to this problem, in that notices of conditional sales of certain types of fixtures may be filed in the registry of deeds and thus protect the conditional vendor from *subsequent* mortgagees and purchasers. General Laws, C. 184, s. 13 as amended. The statute narrows the fixtures affected by it to such things as heating or electric cooling apparatus, ranges, plumbing goods, soda fountains, portable or sectional buildings, elevator apparatus or machinery, or similar equipment. The form of notice to be filed is suggested in the statute. This statute, and any notice under it, however, cannot deprive any *prior* encumbrancer of his lien.

The Uniform Conditional Sales Act[1] has codified the law on conditional sales of fixtures as follows:

> Sec. 7. *Fixtures.* If the goods are so affixed to realty, at the time of a conditional sale or subsequently, as to become a part thereof and not to be severable wholly or in any portion without material injury to the freehold [Note the New Jersey test as mentioned early in this article] the reservation of property as to any portion not so severable shall be void after the goods are affixed, as against any person who has not expressly assented to the reservation. [Meaning that the filing of the conditional sale as provided in the next portion of this section cannot affect a subsequent mortgagee or purchaser of the realty where the fixtures cannot be removed without material injury.]
>
> If the goods are so affixed to realty at the time of a conditional sale or subsequently as to become part thereof but

[1] Enacted in the following states: Arizona, Delaware, Indiana, New Hampshire, New Jersey, New York, Pennsylvania, South Dakota, West Virginia and Wisconsin.

to be severable without material injury to the freehold, the reservation of property shall be void after the goods are so affixed as against subsequent purchasers of the realty for value and without notice of the conditional seller's title, unless the conditional sales contract, or a copy thereof, together with a statement signed by the seller briefly describing the realty and stating that the goods are or are to be affixed thereto, shall be filed before such purchase in the office where a deed of the realty would be recorded or registered to affect such realty. [Thus if the fixtures can be removed without material injury, this filing of the conditional sale gives a vendor protection against subsequent grantees.]

As against the owner of realty the reservation of the property in goods by a conditional seller shall be void when such goods are to be so affixed to the realty as to become part thereof but to be severable without material injury to the freehold, unless the conditional sales contract, or a copy thereof, together with a statement signed by the seller briefly describing the realty and stating that the goods are to be affixed thereto, shall be filed before they are affixed, in the office where a deed would be recorded or registered to affect such realty. [This portion applicable to cases where the purchaser of chattels under conditional sales contract is not owner of realty.]

Summary

If a vendor can determine that fundamentally the article he sells is not a fixture, though it may be fastened to the floor of a building or to some other part of it as a means of steadying it, he may cover the sale of it with a security device, i.e. a conditional sale or chattel mortgage, and if he has complied with the recording requirements in his state, his right to foreclose or repossess, as the case may be, is paramount to even a subsequent (and for that matter a prior) mortgagee, and a subsequent purchaser. If, however, the article is legally a fixture, the problem for the vendor is one of protecting himself as best he can according to the local statutes and common law. He cannot, generally, protect himself, even where recording laws are in force covering fixtures, against subsequent mortgagees and purchasers (who have not assented) where the article cannot be removed without injury or damage of a substantial nature to the freehold. He cannot, generally, protect himself against a prior encumbrancer by giving notice under a statute; he might protect himself by obtaining an agreement from such existing mortgagee that the fixtures in question may be removed. In all this it is admitted that there is an element of uncertainty. Vendors of fixtures of such nature that they cannot be removed without material injury to the freehold, must therefore, in granting credit, weigh the financial responsibility of the buyer heavily so that recourse through a suit for the price may result in recovery if the title to the fixture has passed along with the freehold to some purchaser or encumbrancer without notice.

A Balanced Objective

(*Continued from Page 6*)

us determine that every promise we make will be fulfilled. Let us give international commerce an opportunity to develop and expand by eliminating objectionable barriers that lead to selfish special privilege and lessen the opportunity of men and women throughout the world to produce and market their goods.

Let us determine to lead the way in reduction of government costs. Unless we do so, we have no right to demand it of other nations. Let us adopt a conservation policy with respect to all of our diminishing resources so that we will remain strong and the world will take heart from such action and follow our pattern. Let us cease destroying the virtues of thrift and honesty and forthrightness by placing a premium on expediency, subterfuge and deceit.

Let Us Be Consistent!

Let us strengthen our spiritual fibres and weave a moral cloth for our wearing of which we may well be proud and on which the world's people will look with respect. Let us develop a consistent policy. Such consistency should be basic. We can plan in no other way. Let us reject any representative whose inconsistent policies lead, as they inevitably do, to confusion, conflict and chaos.

We are now endeavoring with all our strength to sell our way of life and our type of economy. We maintain it is the certain road to peace and happiness, but by our inconsistency we have in reality contributed to world confusion. We have fought Communism but while fighting have pursued programs that created fertile fields for a communistic harvest. It is far more important that we confirm the right to the leadership we claim by a program that is representative of leadership. We are wasting our money and our resources unless we strive for consistency. A confused leadership and an inconsistent program is bread and meat for the Communist. If we really are sincere in our desire to have our dollars and goods make a real contribution to a happier world, let us strive for more contentment at home.

The American people have always tried to do their duty as world citizens. The qualities of leadership they and their forefathers possessed have not been lost. They may be temporarily dulled and a hodgepodge of impractical programs may have caused them to be confused. They now want and demand a sane program that will lead the way to a better world and we should never forget that the world is focusing its eyes upon us. It is not alone what we say but what we do that counts. Our own way of life must serve as a pattern to those who would adopt our ways. That is why we must be strong and just.

What Credit Men Can Do

Day by day you, as credit executives, bring order out of chaos in the routine of your daily tasks. You take a jumble of figures and create from it a pattern that is orderly. You cannot do your job well unless you analyze carefully and unless you have the ability to put in proper sequence the facts before you and to advise and counsel with respect to the needs as disclosed by the figures you evaluate. If we are going to get out of the difficulty we are in throughout the world, a balanced objective must be established. Who can better undertake to help construct it than credit men? If you do so, your profession will have earned a statesmanship classification but what is more, your children and

grandchildren will probably know a peaceful, spiritual way of life with all of the comforts and wholesomeness it assures. You will help lay the cornerstone to an orderly, well-planned building for peace that will prove of inestimable value to you and your business.

Never forget that as a member of a profession you can not only do much to make a better world by your individual actions but that you can wield powerful influence by strengthening your professional Association. If you use the services of the Association, you help it to grow in value and efficiency. Such use pays you strong secondary dividends since it enables your Association to do the fundamental work no other type of company can undertake.

We wish finally to create a family relationship of a dignity that is irreproachable; if you can help do this, you will have fulfilled your real objective in life. This objective is for you to endeavor to leave the world in a little better condition than it was when you first saw the light of day. I appeal to you and to Providence that He give you strength to enable you to carry the lead banner in this crusade for a balanced objective which, when reached, will bring peace on earth and good will to all men.

Bad Debt Losses

(Continued from Page 10)

rates in 1937 also suffered relatively high losses in 1947. In no trade, however, were the post-war rates as high as in the pre-war year.

In Chart V, reporting houses are divided first on the basis of volume of 1947 credit sales into three groups: (a) Those with a million dollars or more; (b) those in the $500,000 to $1,000,000 bracket; and (c) those with credit sales of less than $500,000. Each of the size brackets was further subdivided on the basis of number of credit accounts on the book at the end of the year in order to make a study of the effect of number of accounts upon losses. This chart suggests that perhaps the larger the number of accounts within a given size bracket the larger the loss rate. Stated differently, the smaller the number of accounts of houses within a given size group, the smaller the loss rate. This general tendency appears in each of the three size brackets—particularly for houses with credit sales of less than $500,000. It might be pointed out, however, that size of firm had more influence upon bad debt losses than number of accounts. Stated in another way, an increase in dollar volume of credit sales offsets the effect of increasing the number of accounts.

In closing, may I state that it has been a pleasure to work with your Association on this study.

CHART IV-LOSSES PERCENT OF CREDIT SALES: 1937* AND 1947
SELECTED TRADES

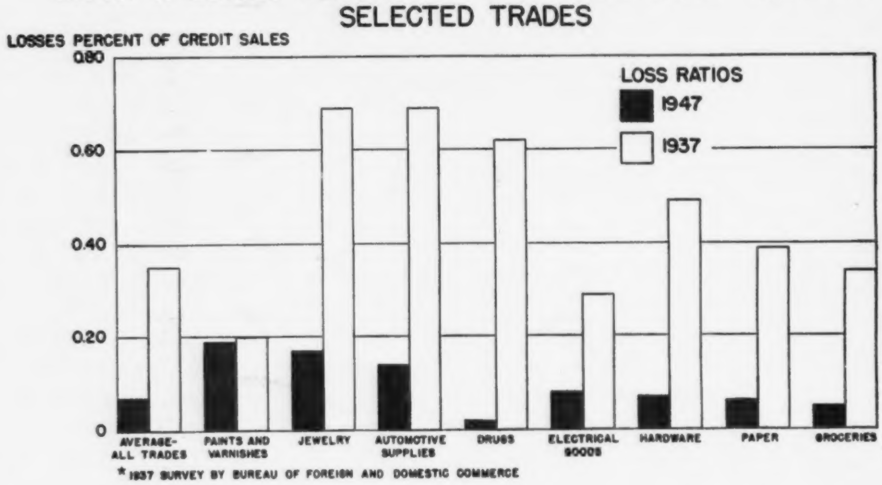


CHART V-1947 LOSSES PERCENT OF CREDIT SALES BY SIZE OF FIRM AND NUMBER OF CREDIT ACCOUNTS

A. ALL TRADES COMBINED